



MONTHLY BULLETIN OF ECONOMIC TRENDS

2024

**NOVEMBER-
DECEMBER**

ON THE LATEST ANALYSIS FROM THE INSTITUTE OF ECONOMIC AND ENTERPRISE RESEARCH

- » IEER Business Climate Index
- » District Development Index
- » International trends



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13 december 2024.

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TRENDS IN THE BUSINESS CLIMATE INDEX



NOVEMBER–DECEMBER 2024.

the index is
stagnating at
+22
points

IEER's October Business Climate Survey is based on responses from 2,102 company CEOs. Data collection took place between October 1 and 31. The purpose of IEER's Business Climate Survey is to map out business leaders' current short-term business expectations, which relies on information available at the time of data collection and entrepreneurs' subjective assessment of the situation.

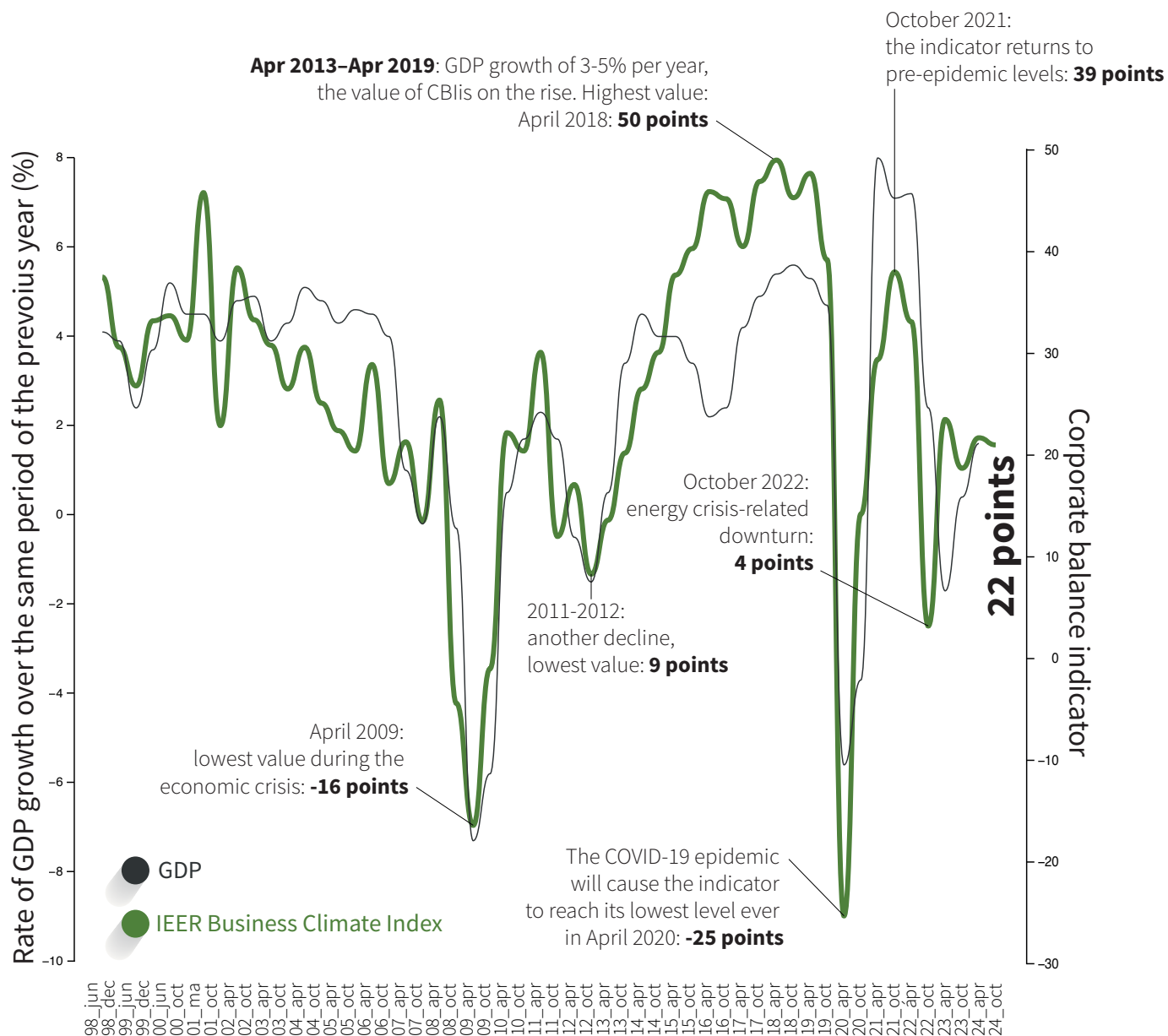
The Business Climate Index is at +22 points in October 2024, indicating stagnation compared to the previous wave in this April. The current value of the index is three points higher than the value taken in the same period of the previous year.

Businesses consider the business climate essentially unchanged compared to the previous six months, while their expectations continue to vary significantly across business categories. Overall, forecasts regarding expected order levels and machinery investments have become more positive over the past six months, while perception of the expected business situation and construction investments have deteriorated.

The value of the IEER Business Climate Index remained unchanged at +22 points in October 2024 compared to April. Since the survey began in 1998, the index recovered from its lowest point of -25 in April 2020 to essentially return to its pre-COVID pandemic level within a year and a half (October 2019: +40 points; October 2021: +39 points), however, another significant downturn occurred in the second half of 2022. This was partly offset by an increase in spring 2023, followed by another slight decline in October 2023. In April 2024, there was another increase, while in October 2024, stagnation was seen. The current level of the index is nevertheless 3 points higher compared to the value measured a year ago.



The GVI Business Climate Indicator for October 2024 stagnated at +22 points in April, but is 3 points higher than a year ago.



Behind the general stagnation in the perception of the business climate, there are simultaneous slight deteriorations and improvements depending on business categories, with the assessment of the expected situation continuing to vary greatly according to business characteristics. Under current conditions, the most favourable business climate continues to be expected by large companies, predominantly exporting companies, companies with foreign (partial) ownership, and industrial enterprises. With the exception of companies with foreign (partial) ownership, the index value improved in all these segments compared to April. The Business Cli-

Fig. 1

Trends in GDP and IEER Business Climate Indices, June 1998 to October 2024
%

Source: GVI 2024

mate Index is negative (and decreased by 4 points) among micro-enterprises employing fewer than 10 employees, indicating permanent recession expectations in this group since October 2022. Additionally, the Business Climate Index shows significantly below-average values in the construction industry and among small businesses with 10-49 people. The assessment of the business climate in most categories is similar to the results from a year ago, but in the majority of business groups, it slightly exceeds the level observed in October 2023. This level remains significantly higher compared to the low point of October 2022. Prior to the current data collection wave (excluding the first and second waves of the COVID-19 pandemic and the energy crisis period), companies last gave a similar assessment of their expected outlook in 2013.



Behind the general stagnation in the business climate, there are significant differences by firm characteristics, with large firms, exporters and foreign-owned firms in a more favourable position, while micro-enterprises and construction face persistent recessionary expectations.

BUSINESS CLIMATE INDEX COMPONENTS AND OTHER INDICATORS OF THE BUSINESS CLIMATE

The IEER Business Climate Index consists of four components::

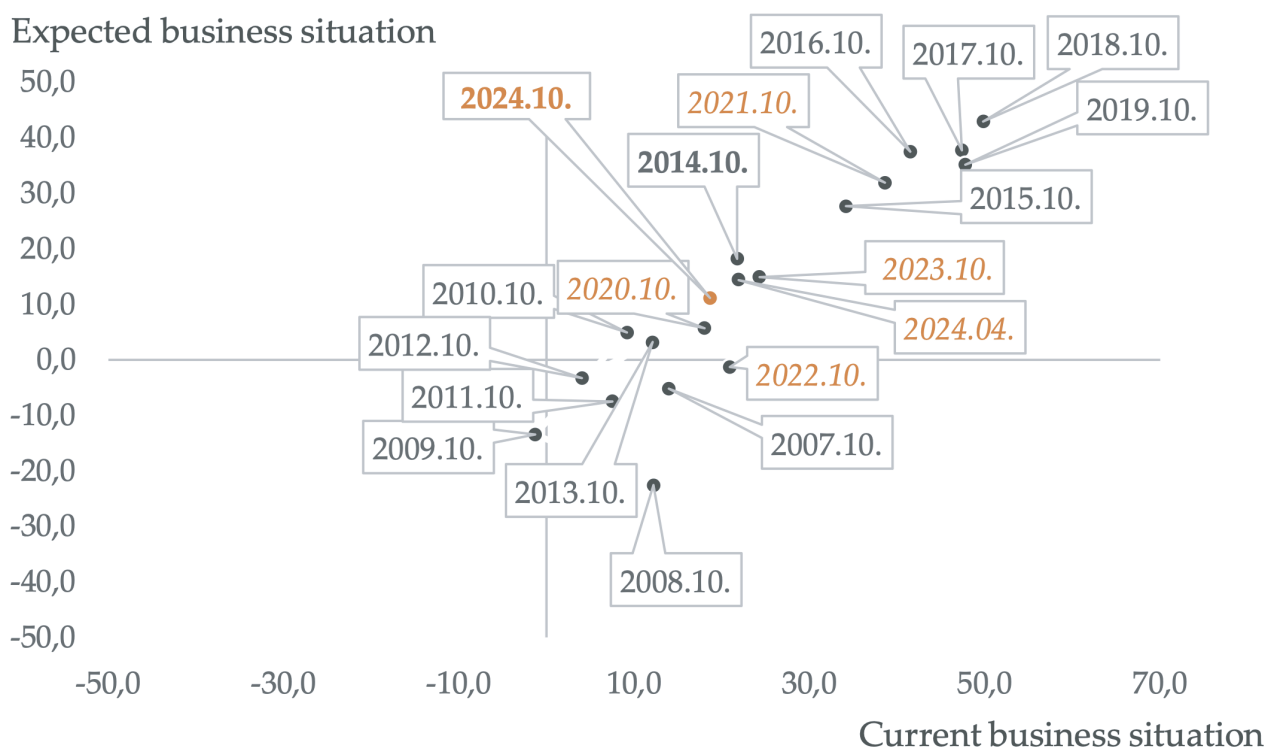
- » expected business situation in the coming six months;
- » the expected trend in orders over the next six months;
- » trends in machinery investment volumes over the next six months;
- » trends in the volume of construction investments in the next six months..

Business leaders are also more pessimistic about the current and expected business situation, expected profitability of their businesses and the expected level of construction investment compared to the previous semester. However, the assessment of the current and expected profitability and machinery investments is more positive compared to April. The current values of the indices are close to those between 2013-2015, prior to the COVID-19 and the energy crisis.

According to the October 2024 data, the assessment of enterprises on their current and expected business situation slightly deteriorated compared to October last year. Current business climate (+19 points) and expectations (+11 points) were at similar levels in October 2014 (+22 points; +18 points) and April 2014 (+14 points; +11 points), before the COVID-19 outbreak and the energy crisis. Compared to a year ago, both indices deteriorated in perception.



Although there are positive elements, the overall level of business confidence has fallen compared to previous periods



The assessment of the current business situation indicates that following the recovery from the economic shock caused by the COVID-19 pandemic, and after the energy crisis period in autumn 2022 and winter 2023, businesses perceive a more favourable yet stagnating economic environment that is essentially identical to the same period of the previous year. It is evident that small businesses, companies primarily producing for domestic sales, purely domestically-owned companies, and those operating in trade and construction sectors remain the most exposed to the current effects of the economic crisis.

Fig. 2

Change in perception of current and future business climate

Source: GVI 2024

SHRINKING LABOUR DEMAND, WORKFORCE REDUCTION

Businesses expect lower labour demand in the next six months: the balance indicator stands at -2 points, which is 7 points lower compared to April 2024. This shows that in October 2024, companies planning workforce reductions in the next six months are in a slight majority. This indicates a significant easing/end of the labour shortage market situation.

Overall, significant workforce expansion plans for the next six months can be observed among companies with foreign (partial) ownership and large enterprises. In contrast, based on business leaders' expectations, significant workforce reductions are expected in the categories of construction, trade, small and medium-sized enterprises, and companies exclusively in domestic ownership. In all other categories, the balance indicator value is largely around average. Compared to April 2024, the largest decline in expected labour demand occurred among commercial and construction companies, as well as small businesses (declines of 20, 15 and 14 points, respectively), while there was no change in the service sector, and all other categories also show a decline.



Staff reduction plans are in the majority, indicating that the labour shortage situation is easing.

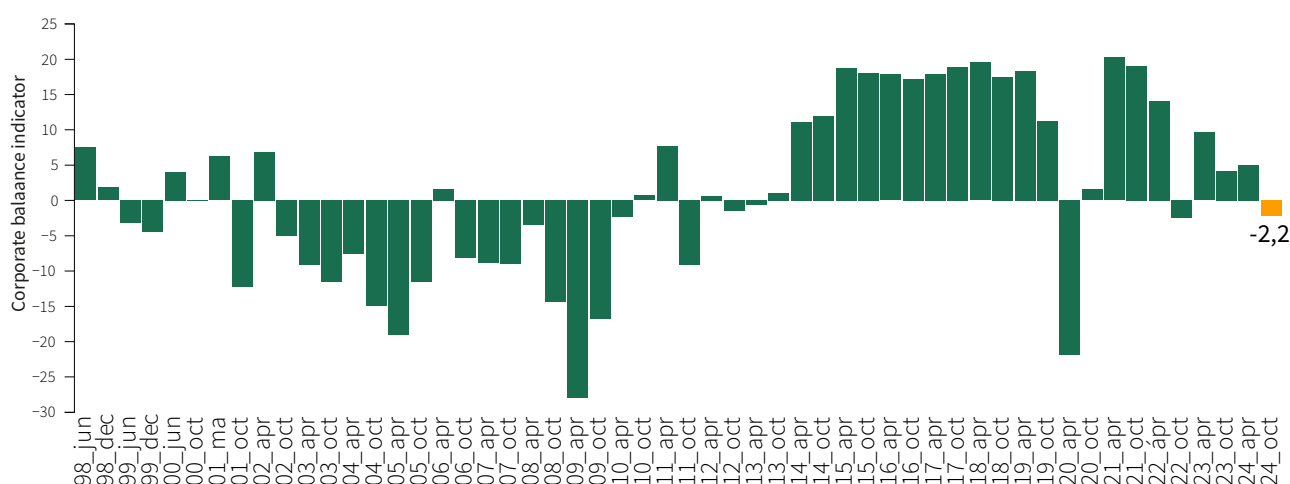


Fig. 3

Expected labour demand

Source: GVI 2024

TRENDS IN THE IEER BUSINESS CLIMA- TE INDEX BASED ON BUSINESS CHARAC- TERISTICS



NOVEMBER–DECEMBER 2024

Manufacturing has the
highest value of the
indicator
+29
points

The Business Climate Index is highest among manufacturing companies (+29 points), with +20 points for service companies, +16 points for commercial companies, and +4 points for construction companies. The most significant change compared to the previous six months occurred among commercial companies, where the index value decreased by 8 points compared to April. In the service sector, there was a 2-point decrease, while among construction companies there was a 1-point improvement, and among manufacturing companies, a 3-point improvement compared to April.

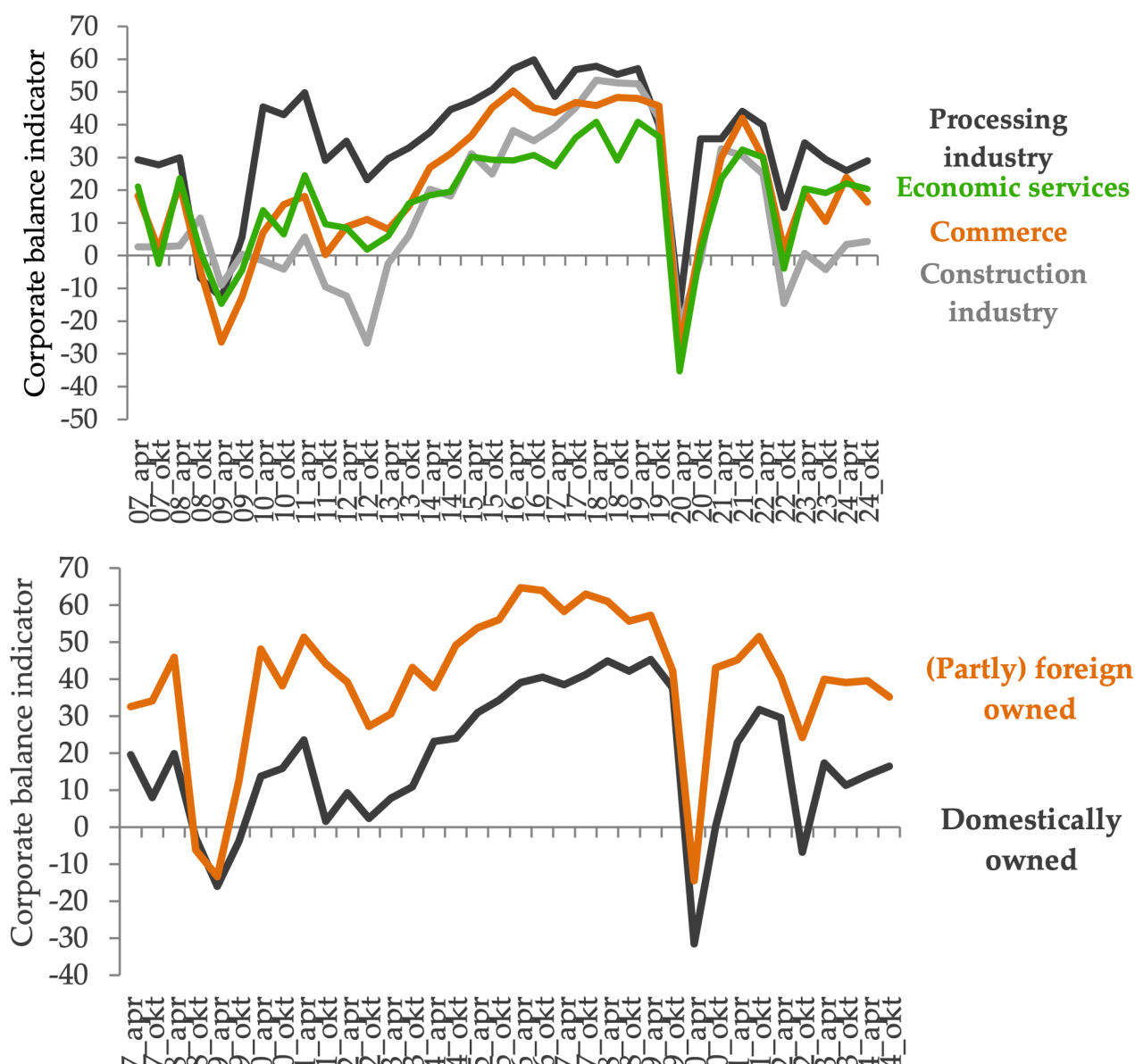


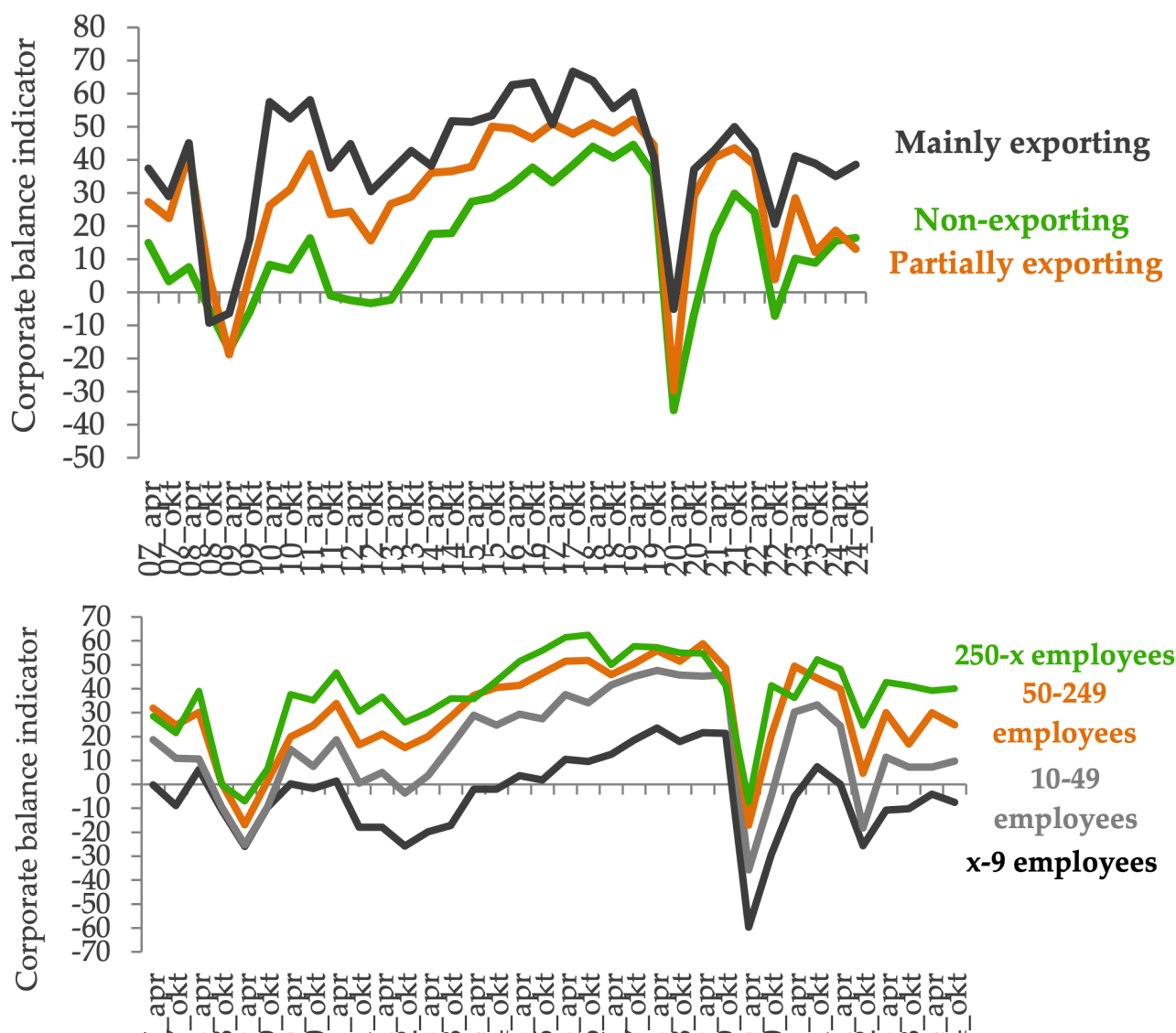
Fig. 4-5

IEER Business Climate Index by economic sector and ownership structure

Source: GVI 2024

The Business Climate Index is highest among manufacturing companies (+29 points), with +20 points for service companies, +16 points for commercial companies, and +4 points for construction companies. The most significant change compared to the previous six months occurred among commercial companies, where the index value decreased by 8 points compared to April. In the service sector, there was a 2-point decrease, while among construction companies there was a 1-point improvement, and among manufacturing companies, a 3-point improvement compared to April.

Examining companies based on their ownership structure, it can be seen that the Business Climate Index is significantly higher among companies with foreign (partial) ownership (+35 points) compared to purely domestically owned companies (+16 points). Compared to the previous six months, the Business Climate Index decreased by 4 points for companies with foreign (partial) ownership, while it increased by 2 points among purely domestically owned enterprises.



According to export activity, the Business Climate Index is lower among partially exporting (+13 points) and non-exporting (+16 points) companies compared to predominantly exporting companies (+39 points). In the category of predominantly exporting companies, the index value increased by 4 points, and among non-exporting companies by 1 point compared to the previous six months, while for partially exporting companies it decreased by 6 points. Analysis by company size shows that following the increase experienced in the past six months, expectations deteriorated most significantly in the medium-sized enterprise category, but the assessment of their situation remains considerably more favourable compared to micro- and small enterprises. The Business Climate Index value is -8 points among companies with fewer than 10 employees, +10 points in the 10-49 employee category, +25 points in the 50-249 employee category, and +40 points for the largest companies operating with more than 250 employees. In the 50-249 employee category, the Business Climate Index decreased by 5 points over the past six months, and by 4 points for micro-enterprises compared to April. Among large companies with over 250 employees, there was a 1-point increase, and for companies with 10-49 employees, there was a 3-point increase.

Fig. 6-7
IEER Business Climate Index by
export activity and
employee category

Source: GVI 2024



DEVELOPING AND LAGGING DISTRICTS IN HUNGARY DISTRICT DEVELOPMENT INDEX

NOVEMBER–DECEMBER 2024

This analysis aims to present the development level of Hungarian districts based on the IEER District Development Index (JFM - DDI). The study analyses the level of development of 174 districts as well as 23 Budapest districts. The DDI contains a total of 31 indicators along six dimensions (1. economy, 2. labour market, 3. infrastructure and environment, 4. demography, 5. healthcare and social situation, 6. education and culture), which enables the comparison of districts' overall development levels and deeper examination of different dimensions.

complex assessment of

174

districts and

23

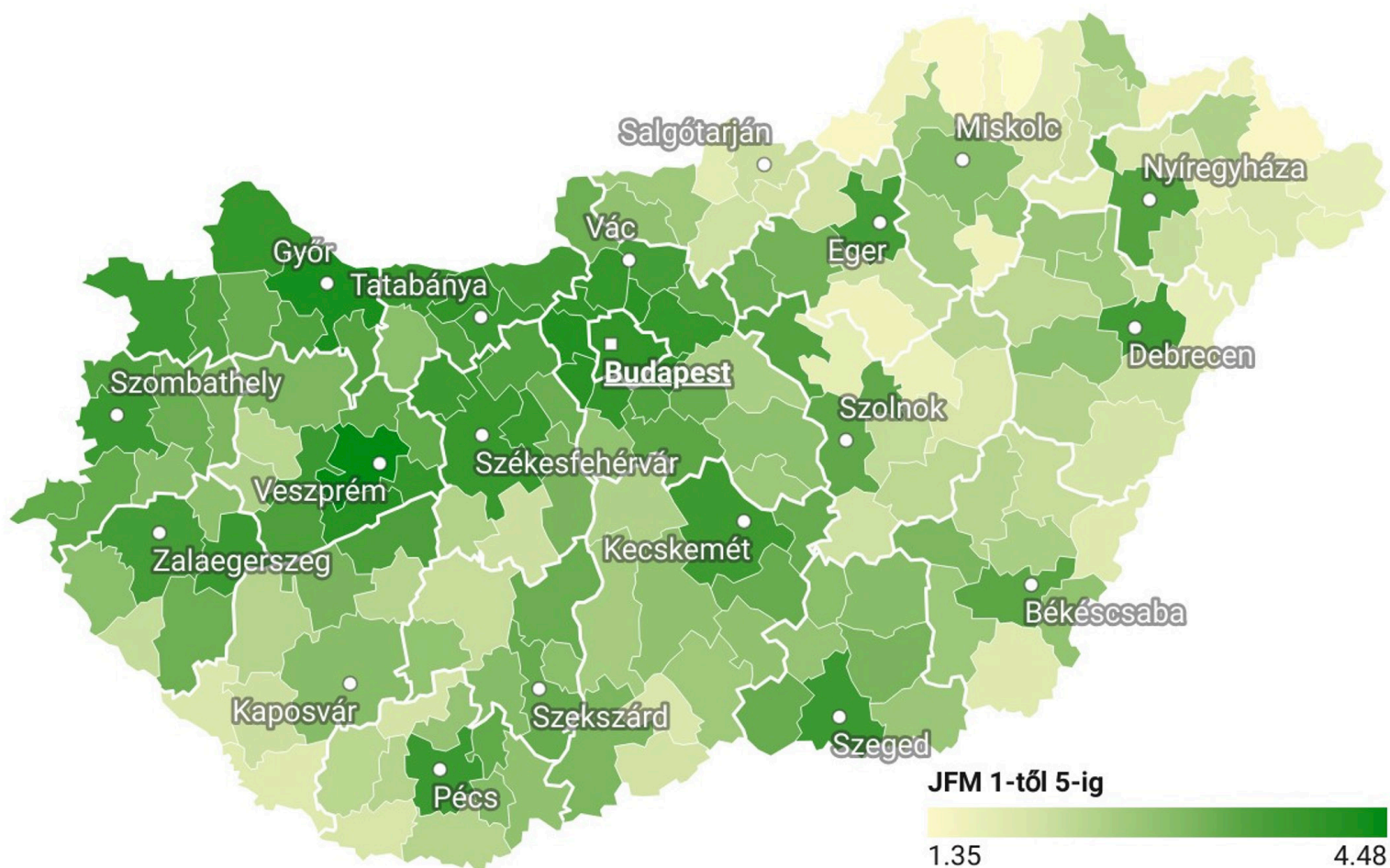
capital districts

The IEER District Development Index includes a total of 31 indicators across six dimensions. The economic dimension consists of 5, the labour market dimension of 4, the infrastructure and environment dimension of 9, the demographic dimension of 4, the healthcare and social situation dimension of 6, and the education and culture dimension a total of 3 indicators. The data sources for the indicators are the open access databases of the Hungarian Central Statistical Office (KSH), the National Regional Development and Spatial Planning Information System (TEIR), and the results of the 2022 census. All indicators of the DDI refer to the year 2022. The DDI summarizes the "performance" of districts taken from various indicators in a composite index ranging from 1 to 5. According to the index, the most developed district (excluding the Budapest districts) was found to be the Veszprém District, which ranks in either first or second place in all dimensions except demographics. It is followed in the top ten (with scores above 4 points) by the districts of Győr, Budakeszi, Balatonfüred, Érd, Dunakeszi, Pilisvörösvár, Vecsés, Tata, and Szigetszentmiklós. Among the districts in the most developed top ten, we find exclusively districts from Western Transdanubia, Central Transdanubia, and Pest County. At the county level, however, significant differences can be seen within individual counties.

Generally, districts encompassing county seats and cities with county rights show a more favourable situation. For example, while in Veszprém County, the district surrounding Veszprém as a city with county rights is the most developed at a national level (4.48), the neighbouring districts of Sümeg (2.52) and Devecser (2.39) are among the less developed districts, ranking only 133rd and 143rd as for level of development of districts. A similar trend can be observed in Fejér County, where the development of the Székesfehérvár district (3.94) is outstanding, but Székesfehérvár's pulling force does not reach the county's two southern districts, Sárbogárd (2.16) and Enying (2.52); in Pest County, the districts of Budakeszi (4.19), Érd (4.13), Dunakeszi (4.10), Pilisvörösvár (4.06), Vecsés (4.06), Szigetszentmiklós (4.00) and Szentendre (3.97) are all among the most developed, while the Nagykőrös District (2.74) ranks only 121st, and the Nagykáta District (2.58) ranks 130th. The development of districts including county seats lags behind the development of surrounding districts only in Nógrád County (where the Salgótarján District (2.16) is preceded by the Balasagyarmat District (2.71) and the Rétság District (2.91)), Zala County and Somogy County (for the latter ones, the districts along Lake Balaton (Keszthely, Fonyód, Siófok) are the most developed).



The most developed districts are located mainly in Western Transdanubia, Central Transdanubia and Pest counties, while the least developed ones are mainly in Borsod-Abaúj-Zemplén county.

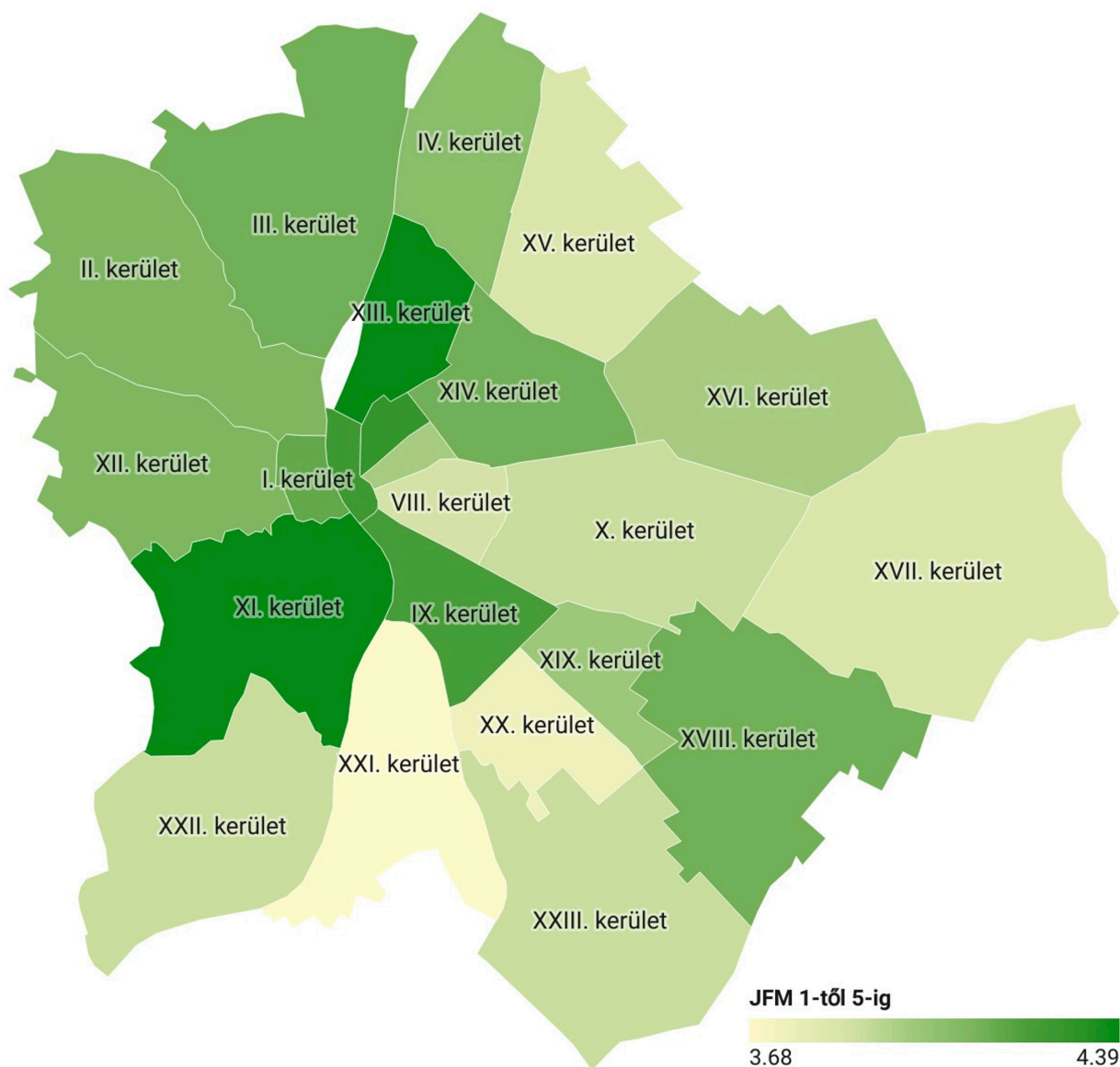


Map data: © OSM • Created with Datawrapper

Based on the DDI, the least developed district is the Encs District (1.35), which ranked in either last or second-to-last place in all dimensions except healthcare and social services among the districts. This is followed by the districts of Edelény (1.39), Vásárosnamény (1.42), Ózd (1.45), Szikszó (1.52), Cigánd (1.55), Putnok, Heves and Mezőcsát (all 1.58), as well as Záhony (1.61). With the exception of Heves District (Heves County) and the Vásárosnamény and Záhony districts (Szabolcs-Szatmár-Bereg County), all of the least developed districts are found in Borsod-Abaúj-Zemplén County.

Fig. 8
District Development Index –
Country-wide (2022)

Source: GVI 2024



The highest scoring districts of Budapest (4.39) include Districts XI and XIII, followed closely by District VI (4.29), District V (4.26), and District IX (4.23). 9 districts scored less than 4 points, two of which are downtown districts (Districts VII and VIII), one is in South Buda (District XXII), and the remaining six are outer Pest districts (Districts X, XV, XVI, XVII, XX, XXI, and XXIII). It should be noted, however, that the South Pest District XVIII ties for sixth place in the ranking with Districts XIV and III. As shown in Figure 2, with a few exceptions mentioned above, the Buda districts and inner Pest districts are more developed.

Fig. 9

District Development Index –
Budapest (2022)

Source: GVI 2024



INTERNATIONAL TRENDS

NOVEMBER–DECEMBER 2024

		Actual data	Expectations	Previous period
Germany	Unemployment Rate	6,1%	6,1%	6,1%
	Manufacturing Purchasing Managers Index	43,2	43,1	43,0
	IFO Business Climate Index ¹	85,7	87,2	86,5
France	INSEE Business Climate Index ²	96,1		97,4
EU	Economic Sentiment Indicator (ESI) ³	96,5		96,3*
USA	Unemployment Rate	4,2%	4,2%	4,1%
	CB Consumer Confidence Index	117,7	117,8	109,6*
	Manufacturing Purchasing Managers Index	48,8	48,8	48,5
China	Manufacturing Purchasing Managers Index	50,3	50,2	50,1

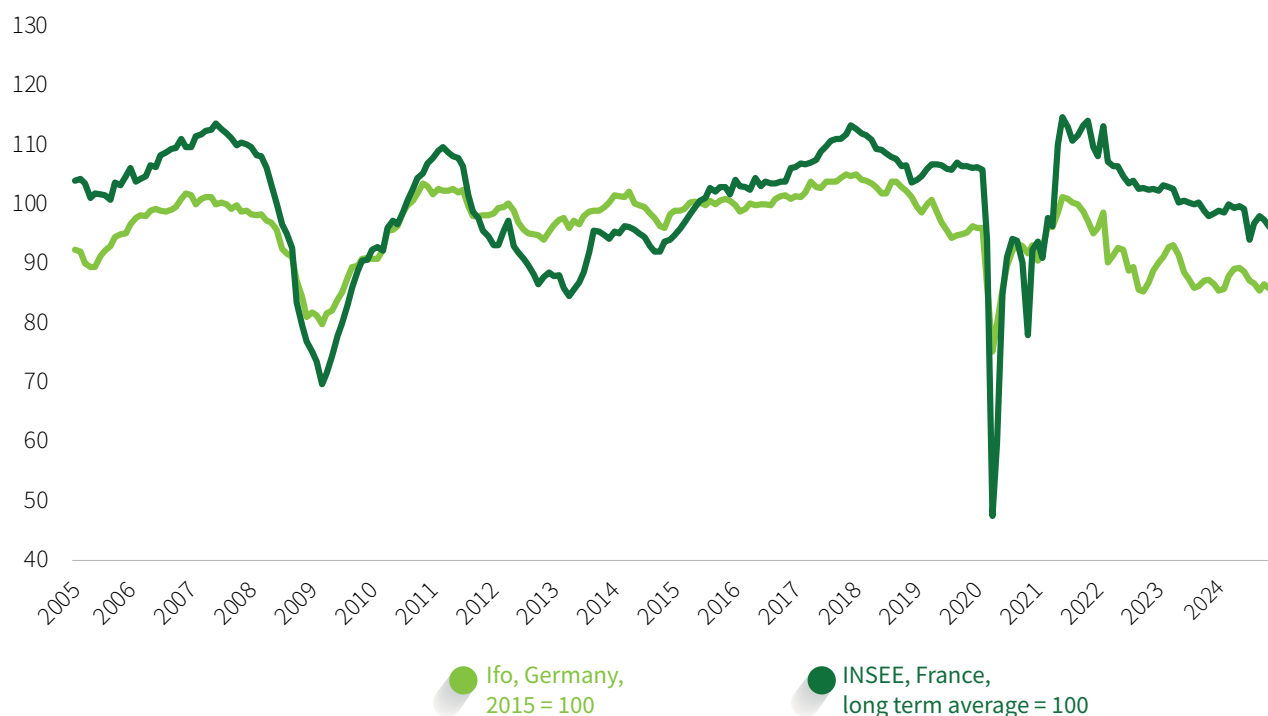
¹ <https://www.ifo.de/en/survey/ifo-business-climate-index-germany>

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

További adatok forrása: <https://www.bloomberg.com/markets/economic-calendar>

*Visszamenőleges kiigazítás



In Germany, the IFO Business Confidence Index decreased in November after the slight increase in the previous month. The index shows a stagnating assessment of the current business situation and worsening of the expectations compared to October. France's INSEE business continues to decrease, while manufacturing industry shows a rebound, expectations in every other sector has deteriorated. The European Union's ESI economic sentiment indicator (an aggregate of business and consumer confidence indicators of the Member States) remains stable in November. The German Manufacturing Purchasing Managers' Index (PMI) increased slightly and exceeded its expected value. The unemployment rate stagnates. The US CB consumer confidence index rose significantly compared to the previous month. The Manufacturing PMI moderately improved both in the US and in China. The US unemployment rate increased by 0.1% point in November.

Fig. 9

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

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



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