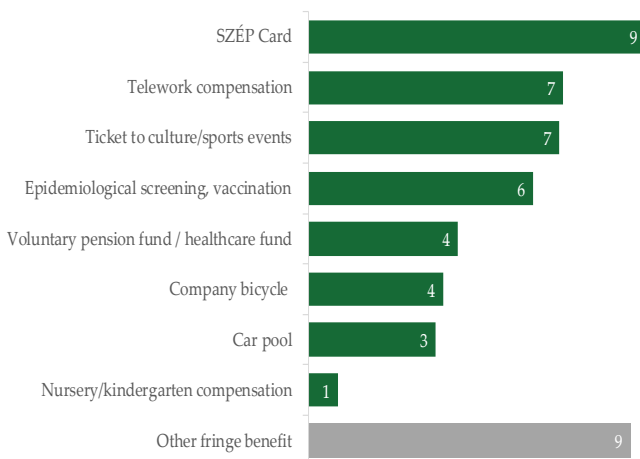
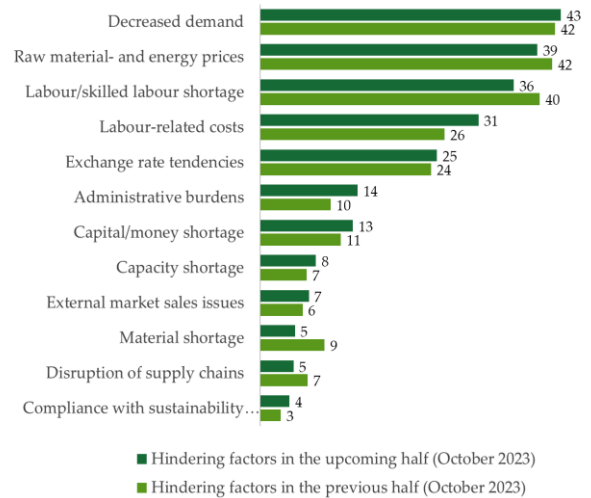


# Monthly Bulletin of Economic Trends

## Business constraints (2019-2024)

In this report we shall show how the coronavirus pandemic, the Russo-Ukrainian war and the energy crisis have redrawn companies' problem maps, and what business constraints domestic companies are currently facing. All data was taken from IEER's past ten semi-annual Business Climate Surveys (April 2019 to October 2023),... [More](#)



## Fewer than a third of Hungarian companies provided fringe benefits in 2023

Our analysis examines the practice of providing fringe benefits in the circle of Hungarian enterprises. The analysis is based on data taken from the October 2023 semi-annual business climate survey conducted by HCCI IEER, in which a total of 1,825 domestic enterprises were interviewed about the benefits they provide to their employees. [More](#)

## International trends

In Germany, the IFO business climate index decreased compared to December. The manufacturing purchasing manager index (PMI) increased compared to the previous period... [More](#)

## BUSINESS CONSTRAINTS (2019-2024)

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In this report we shall show how the coronavirus pandemic, the Russo-Ukrainian war and the energy crisis have redrawn companies' problem maps, and what business constraints domestic companies are currently facing. All data was taken from IEER's past ten semi-annual Business Climate Surveys (April 2019 to October 2023), with the most recent one, conducted between 1 October 2023 and 31 October 2023, relied on the responses of 1,825 companies.

### Decreasing demand

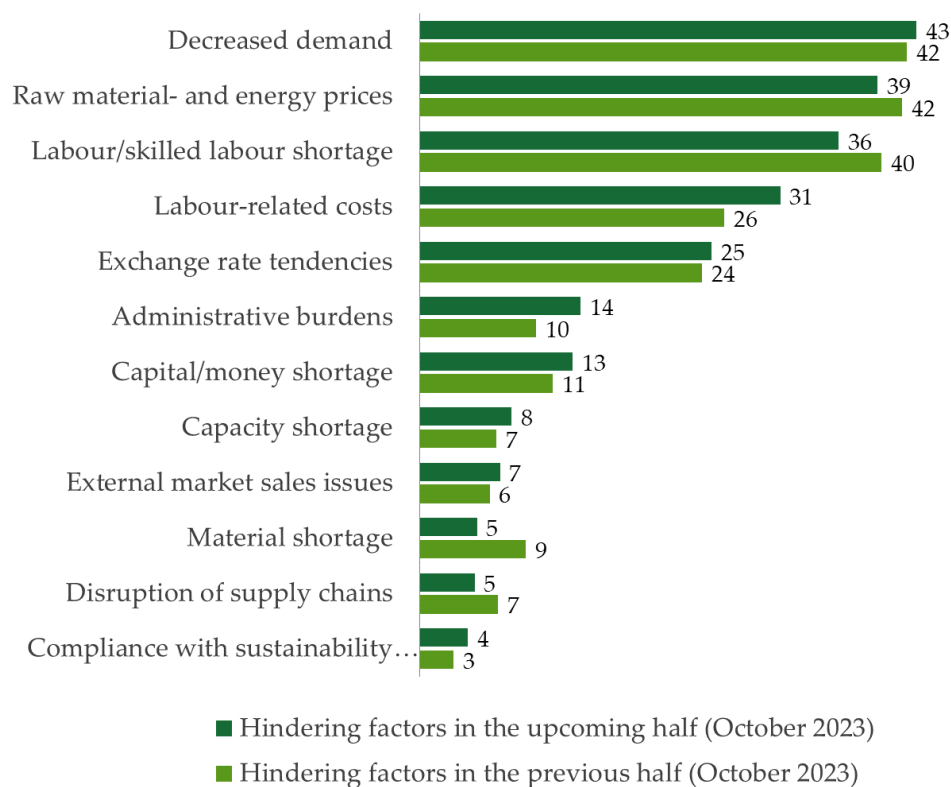
In autumn 2023, businesses continued to be directly affected by the energy crisis and price hikes: **94% of domestic businesses had experienced some negative factor in the last six months.** *Higher raw material and energy prices* (42%) were still the most common barriers to business, but *decreased demand* (42%) compared to the previous six months caught up, with businesses mentioning those two areas at an equal frequency. *Shortages of labour and skilled labour* (40%) continue to be a major source of difficulty for businesses, ranking third in the list of issues. *Labour-related costs* (26%) and *exchange rate developments* (24%) were a problem for around a quarter of firms, while *a lack of capital/money* (11%) and the negative impact of *administrative burdens* were cited by almost a tenth of companies.

Businesses are as pessimistic about the upcoming half year's business activity as they were in the previous survey in April 2023. **95% of firms surveyed in October 2023 expect some sort of difficulty in the next six months, just 1 percentage point lower than in the previous half.** Yet compared to the April 2023 survey results

there has been a significant decrease in the proportion of business leaders that see high *raw material and energy prices* (from 50% to 39%), *labour shortages* (from 42% to 36%), *material shortages* (from 11% to 5%) and *disruption to supply chains* (from 8% to 5%) as hindering factors, whereas there has been a substantial increase in the proportion of CEOs that expect *decreased demand* (from 35% to 43%) and *external sales problems* (from 4% to 7%).

Compared to the previous six months, a higher proportion of companies surveyed in October 2023 think that labour costs (5 percentage points difference) and administrative burdens (4 percentage points difference) will become a barrier in the next six months, while fewer companies expect labour shortage (4 percentage points difference), material shortage (4 percentage points difference) and high raw material and energy prices (3 percentage points difference) to become hindering factors. There is no significant difference in this respect for the other factors listed (Figure 1).

**1. Figure 1: Comparison of barriers experienced in the semester prior to April 2023 and those expected for the next semester, percent**



Source: IEER 2023

Note: Each respondent could select up to three barriers.  $N_{prev\ half}=1800$ ,  
 $N_{next\ half}=1766$ .

For enterprises with fewer than 250 employees, *decreased demand* has clearly been the most common expected barrier, while for large enterprises, *raw material and energy prices* continue to outweigh all other factors.

Economic sectors also present certain differences. For firms in manufacturing, *raw material and energy prices* are the most common constraints, in construction and trade the main hindrance is *decreased demand*, and for service firms, *labour shortage* is the most frequently quoted issue.

### Barriers to business between October 2019 and October 2023

Based on the results of the GVI's semi-annual business surveys (2019-2023), it is clear that in the years preceding the outbreak of the coronavirus pandemic, **labour and skilled labour shortages were the main hindrances to businesses. During the pandemic, the role of this factor declined significantly (from 60% to 32%), partly due to the effects of restrictive economic measures, but the proportion of those citing a shortage of demand increased significantly during each wave of the pandemic (from 20% to 48%)** By October 2021 those two factors had

returned to their pre-crisis levels (51% and 23% respectively), while the proportion of businesses identifying *raw material and energy prices* (from 14% to 28%) and *shortages of materials* (from 12% to 24%) as a major constraint rose sharply.

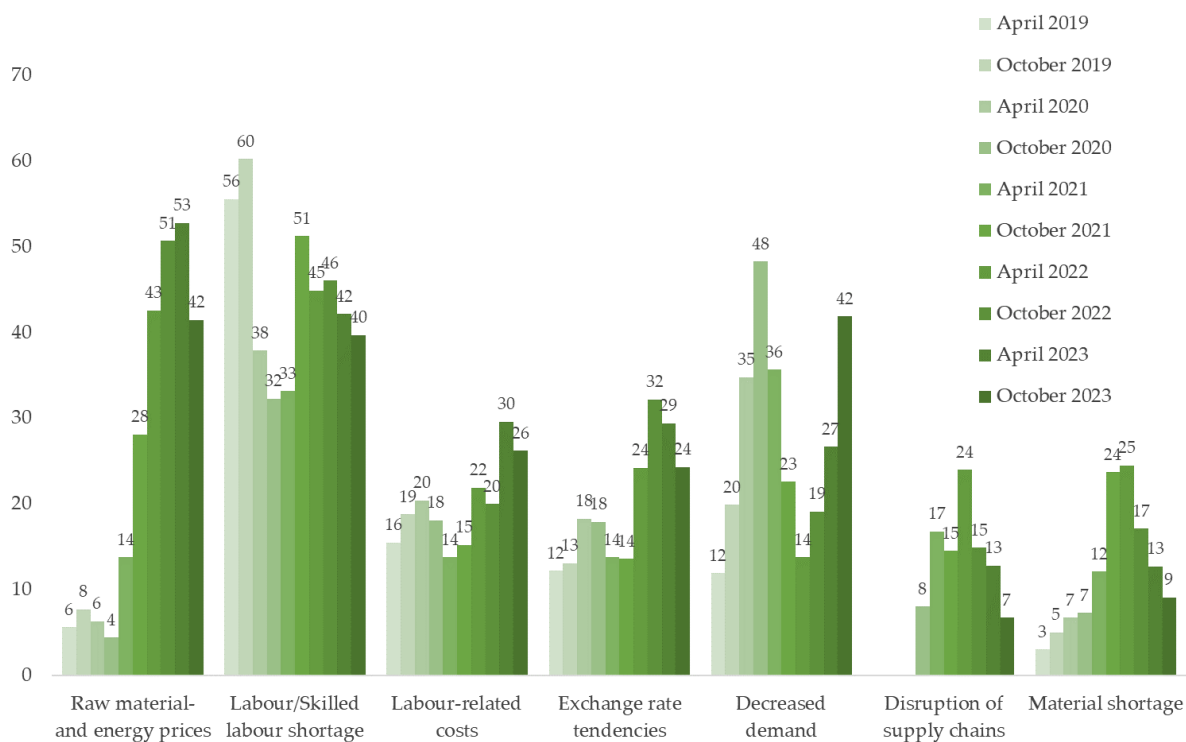
**The outbreak of the Russo-Ukrainian war in February 2022 has in some respects completely rearranged the problem map of companies.** In April 2022 *disruption of supply chains* became a major problem (24%), though its prevalence decreased significantly by October 2022. In April and October 2022, the proportion of firms citing *labour shortages* remained high (45-46%), while in autumn, significantly more firms reported a *shortage of demand* than six months earlier (19% instead of 14%). At the same time, more than half of the firms surveyed cited *the price of raw materials and energy* as a problem (51%), and the proportion of firms that considered *exchange rates* as a barrier to growth also rose significantly (32%).

By spring of 2023 *raw material and energy prices* rose to the most prevalent factor hindering business activity surpassing *labour shortages* (42%), *labour-related costs*

(30%), *exchange rate trends* (29%) and *shortage of demand* (27%). At the same time, less firms cited *disruption of supply chains* (13%) and *material shortage* (13%) as hindering factors.

Although the proportion of businesses citing *raw material and energy prices* as a barrier to doing business fell significantly by autumn 2023, it remains a leading area on the business problem map. By the time of the survey, however, demand constraints caught up with it, with firms again mentioning this factor at similar rates as recorded during the COVID waves. *Labour and skilled labour shortages* were similarly high among the firms surveyed, although there was a slight decrease in this area compared to the numbers a year ago. *Labour-related costs and exchange rate trends* are the next most important hindrances, followed by *shortages of materials* and *disruptions to supply chains*, which were much less likely to hamper firms' business activities in autumn 2023 than a year earlier. During the examined period, in October 2023, the frequency of *capacity shortages* as a problem was at its lowest. (Figure 2).

**2. Figure 2: Factors hindering domestic enterprises' business activities (projected to the respective previous half year), 2019 and 2023, percent**



Source: IEER 2019–2023

Note: Each respondent could select up to three barriers. Supply chain disruption was included as a barrier in October 2020.<sup>1</sup>

<sup>1</sup> N<sub>2019.Apr.</sub>=2812, N<sub>2019.Oct.</sub>=2261, N<sub>2020.Apr.</sub>=2884, N<sub>2020.Oct.</sub>=3133, N<sub>2021.Apr.</sub>=2779, N<sub>2021.Oct.</sub>=2198, N<sub>2022.Apr.</sub>=2212, N<sub>2022.Oct.</sub>=2114, N<sub>2023.Apr.</sub>=2047, N<sub>2023.Oct.</sub>=1800

## FEWER THAN A THIRD OF HUNGARIAN COMPANIES PROVIDED FRINGE BENEFITS IN 2023

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Our analysis examines the practice of providing fringe benefits in the circle of Hungarian enterprises. The analysis is based on data taken from the October 2023 semi-annual business climate survey conducted by HCCI IEER, in which a total of 1,825 domestic enterprises were interviewed about the benefits they provide to their employees.

In 2023, fewer than a third (29 percent) of domestic enterprises provided at least some form of fringe benefit to their employees, but this is significantly determined by the number of employees and the ownership structure.

Only 28% of micro-enterprises<sup>2</sup>, which account for almost 96% of registered enterprises, provided at least one fringe benefit, while the proportion was significantly higher for other size categories. While over a half (54%) of small, 10-49 enterprises and two-thirds of medium-sized, 50-249 companies provided some form of fringe benefit to their employees, almost all (90%) of large, 250+ companies did so. A similarly significant difference can be found when looking at ownership structure: 27 percent of fully domestically owned firms and 79 percent of (partially) foreign-owned firms provided fringe benefits in 2023, although the latter companies are typically larger.

There are many forms of fringe benefits: some are tax-free (e.g. tickets to cultural and sporting events), some are taxable but

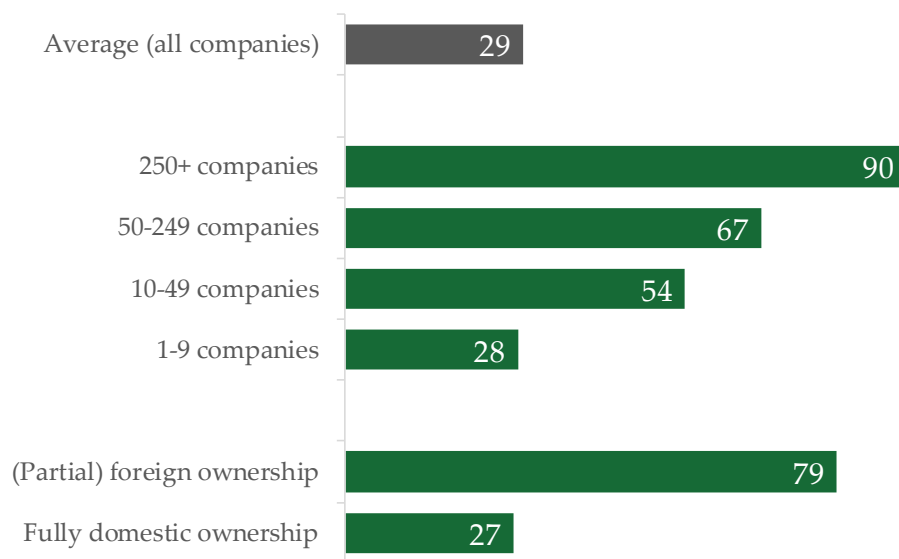
taxed less than wages (e.g. SZÉP cards), and some are taxed as wage income (e.g. meals at work). In our research, we asked about the items that come with some form of tax benefit.

The most popular form of benefit is the Széchenyi Card (SZÉP Card), which was offered by around 9% of companies to their employees last year. Teleworking allowances that are tax-free up to 10 percent of the minimum wage and tickets to cultural/sporting events that are also free of tax up to the value of the monthly minimum wage were offered by 7 and 7 percent of companies respectively. Epidemiological screenings and vaccinations were also tax-free and available at 6 percent of companies. Almost one in ten enterprises said that they (also) provided other benefits in addition to the fringe benefits listed: the most frequently mentioned benefits were commuting allowances, small gift vouchers and meals at the workplace, but those benefits are not covered by any tax relief.

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<sup>2</sup> The sample of respondents also includes sole proprietorships, which may bias our estimates down by a few percentage points. However, since the self-employment form does not exclude the possibility of having employees and also includes some respondents who mentioned fringe benefits in their responses, we did not exclude this group of entrepreneurs from the analysis.

**Figure 1. Proportion of Hungarian enterprises providing at least one type of fringe benefit, by size and ownership structure, percent**

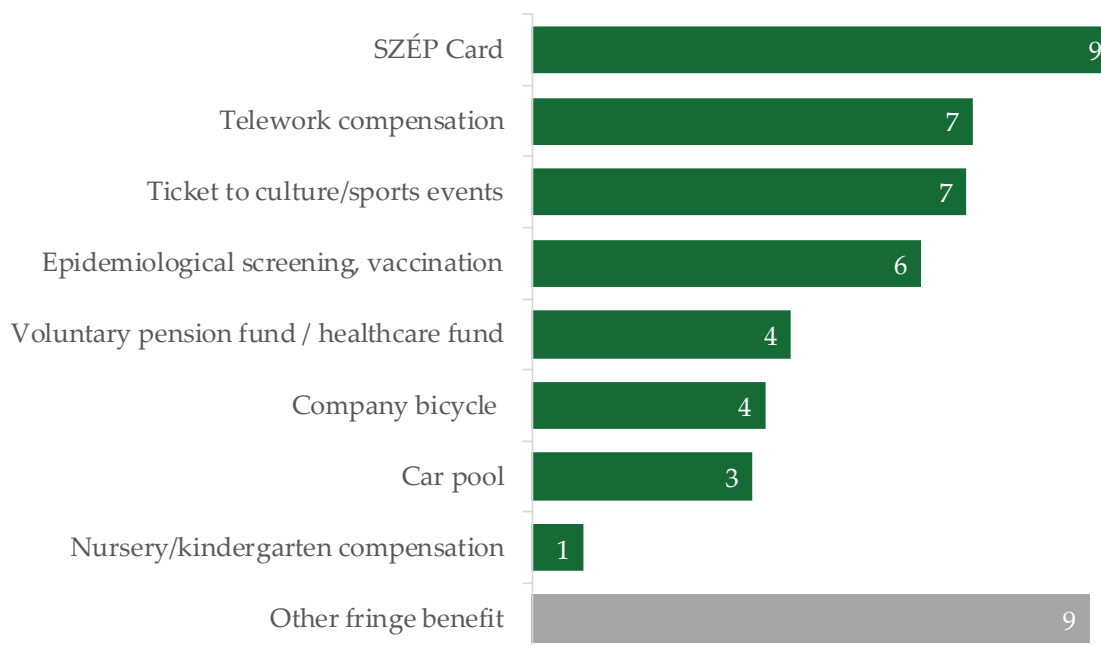


Source: IEER 2023

Nlétszám=1550, Ntulajdon=1537

Weighting: the sample of respondents is representative of the distribution of registered enterprises by sector and size category.

**Figure 2. The most frequently provided fringe benefits, percent**



Source: IEER 2023

N=1451-1567

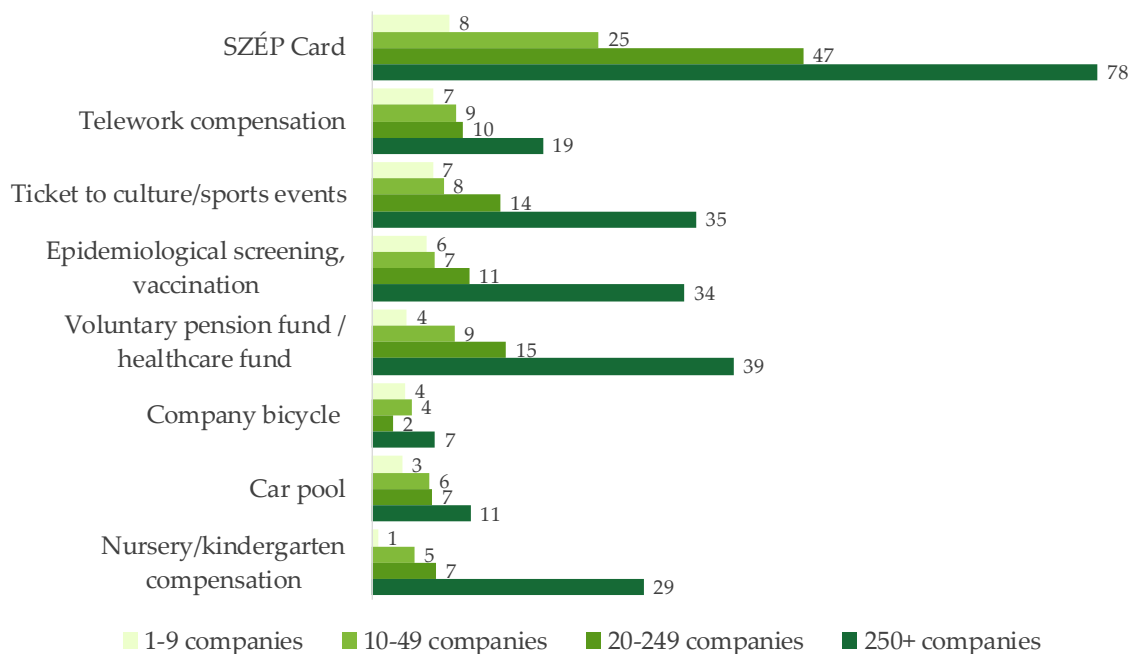
Weighting: the sample of respondents is representative of the distribution of registered enterprises by sector and size category.

When looking at the prevalence of particular fringe benefits by job category, significant differences occur. The most popular form of benefit, the SZÉP card, was provided to 8 percent of employees working for micro enterprises, whereas the rate was 25 percent for small enterprises, 47 percent for medium-sized enterprises and 78 percent for large enterprises.

For most other benefit items, the sharp dividing line is between SMEs with fewer

than 250 employees and large companies with over 250 employees: tickets to cultural and sporting events, epidemiological screening and vaccination, voluntary pension funds, health funds, and reimbursement of nursery and kindergarten costs were available at almost a third (29-39 per cent) of large enterprises, compared to only 5-15 per cent of SMEs and 1-7 per cent of micro-enterprises.

**Figure 3: Most prevalent fringe benefits by company size (staff numbers), percent**



Source: IEER 2023

N=1465–1654

Weighting: the sample of respondents is representative of the distribution of registered enterprises by sector and size category.



## INTERNATIONAL TRENDS

Changes in the production, consumption and employment situation in certain major international economies compared with peer expectations and the previous period.

		Period in review	Actual data	Expectations	Previous period
	Unemployment Rate	(January)	<b>5.8%</b>	5.9%	5.8%
Germany	Manufacturing Purchasing Managers Index	(January)	<b>45.5</b>	45.4	<b>43.3</b>
	IFO Business Climate Index <sup>1</sup>	(January)	<b>85.2</b>	83.5	<b>86.3</b>
France	INSEE Business Climate Index <sup>2</sup>	(January)	<b>98.4</b>		<b>97.9</b>
	Unemployment Rate	(January)	<b>3.7%</b>	3.8%	3.7%
USA	CB Consumer Confidence Index	(January)	<b>114.8</b>	114.2	<b>108.0</b>
	Manufacturing Purchasing Managers Index	(January)	<b>50.7</b>	40.3	<b>47.9</b>
China	Manufacturing Purchasing Managers Index	(January)	<b>49.2</b>	49.2	<b>49.0</b>

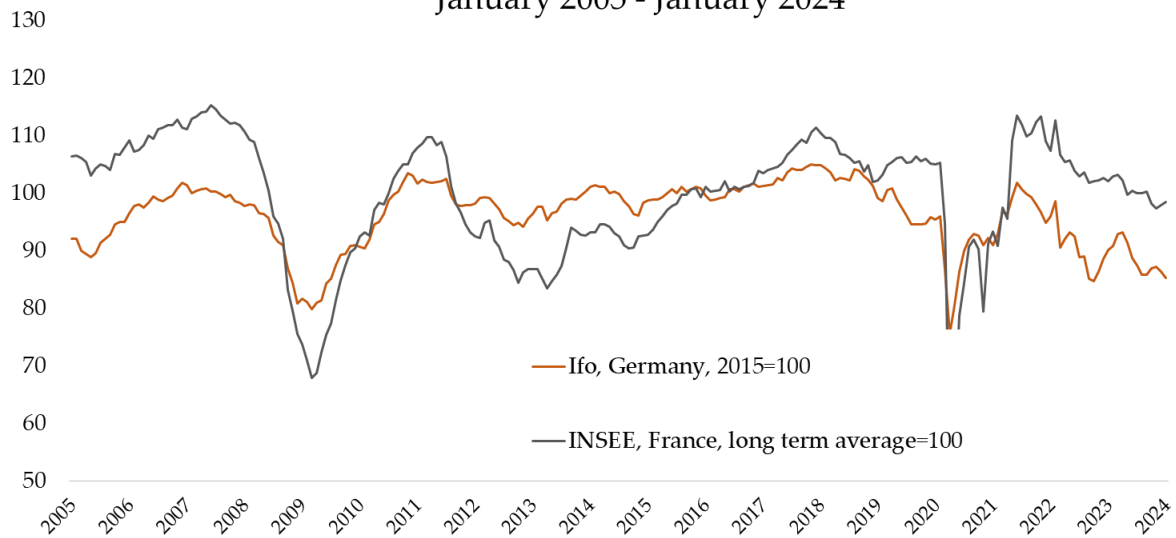
<sup>1</sup> <https://www.ifo.de/en/survey/ifo-business-climate-index>

<sup>2</sup> <http://www.insee.fr/en/themes/indicateur.asp?id=105>

The rest of the data source: <https://www.bloomberg.com/markets/economic-calendar>

In Germany, the IFO business climate index decreased compared to December. The manufacturing purchasing manager index (PMI) increased compared to the previous period. The unemployment rate remained the same in Germany compared to the last month. The French INSEE business climate index increased compared to the month prior. In the United States, the CB consumer confidence index increased compared to December, and performed slightly better than expected. The manufacturing PMI increased compared to the previous month in the USA. The unemployment rate remained the same in the USA compared to the month prior. The Chinese manufacturing PMI increased compared to the previous month.

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



Sources: [www.ifo.de](http://www.ifo.de), [www.insee.fr](http://www.insee.fr)

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