

## Autumn 2012 MFB INDICATOR

The results of the Autumn 2012 corporate survey of the Hungarian Development Bank (MFB INDICATOR) point to a moderate improvement in companies' expectations for the upcoming one-year period, due mainly to more favourable foreign market opportunities, an improvement in the demand for financing, companies' somewhat more positive (less gloomy) perception of financing conditions, as well as growing investment activity. However, as far as the latter is concerned, the corporate sector is marked by strong duality: there has been an increase in the percentage of both companies that have solid development plans and companies that are certain to postpone their investments; moreover, 57.3% of the companies have excess capacities – the highest level since Summer 2009. The macroeconomic expectations of the companies surveyed remain the same as six months ago – they anticipate slow economic growth (a GDP increase of 0.8% on average) and high inflation (6.0%) for the next 12 months. Companies' responses regarding expected trends in consumer prices indicate that despite a protracted slump in internal demand and moderate domestic sales prospects, expectations regarding inflation (on the supply side) are stuck at a high level.

### MFB INDICATOR and its subindices

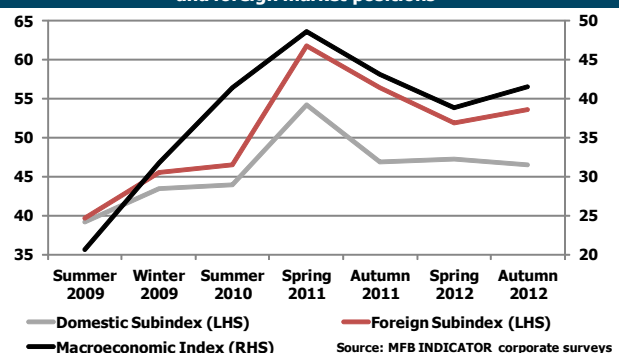
	MFB INDICATOR	MACRO-ECONOMIC	MARKET	Domestic	Foreign	INVESTMENT	FINANCING
Autumn 2012	47.0	41.5	43.7	46.5	53.5	50.6	52.0
Spring 2012	45.1	38.9	44.4	47.2	51.9	47.5	49.8
Autumn 2011	45.4	43.1	45.4	46.9	56.4	44.7	48.4
Spring 2011	55.2	48.6	54.1	54.2	61.8	55.0	63.4
Summer 2010	47.1	41.5	43.7	43.9	46.6	49.1	53.9
Winter 2009	43.9	31.8	40.3	43.5	45.5	49.8	53.9
Summer 2009	37.3	20.6	35.7	39.2	39.7	50.6	42.1

The primary influence on the macroeconomic outlook of companies surveyed continues to be external (market) impacts. The main factors shaping the macroeconomic expectations of respondent companies are still external effects (Chart 1). The slight improvement in the perception of foreign market opportunities is a result of the stabilisation of Hungarian companies' export market positions.

The percentage of companies planning on making investments rose by nearly eight percentage points to 59.4%, but at the same time the share of companies with excess capacities also continued to climb (standing at 57.3% in Autumn 2012). This indicates that most investment plans concern supplemental investments that can no longer be postponed, rather than new developments.

The increase in the demand for funding is related for the most part to investment plans; at the same time, the percentage of companies in need of external financing to cover their operating costs has decreased. Compared to the results from six months ago, the companies surveyed had a more positive opinion regarding all borrowing conditions, and observed improvements in particular in foreign exchange rate trends, the interest rate difference between HUF and foreign currency denominated loans, as well as interest rates.

Chart 1: Trends in the macroeconomic expectations of companies and their perception of their own domestic and foreign market positions



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