



# **Main results of IEER's Short-Term Labor Market Forecast for 2017**

*– Summary in English –*

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The Institute for Economic and Enterprise Research operated by the Hungarian Chamber of Commerce and Industry (IEER or GVI in Hungarian) is a non-profit economic research institute indulging in applied research in several subfields of economics. Our mission is to provide empirically and theoretically substantiated knowledge and analysis of the economic and social processes that influence the actual situation and perspectives of Hungarian economy and Hungarian companies.

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## Short-Term Labor Market Forecast for 2017

The following summary comprises the latest results gained from the largest representative survey series on the Hungarian labor market. During the study 6835 company leaders' answers on employment, on the company's business situation, and on the company's future expectations were registered and analyzed. The history of the survey series targeting short-term expectations of the labor market goes back to the years following the regime change of 1989-90 in Hungary. The latest survey in this research program took place between September 7 and October 14, 2016 as the ninth occasion of the collaboration between the Hungarian Ministry for National Economy and the Institute for Economic and Enterprise Research (IEER) to forecast the short-term economic prospects of the private sector, and to review corporations' labor market decisions in an empirical study.

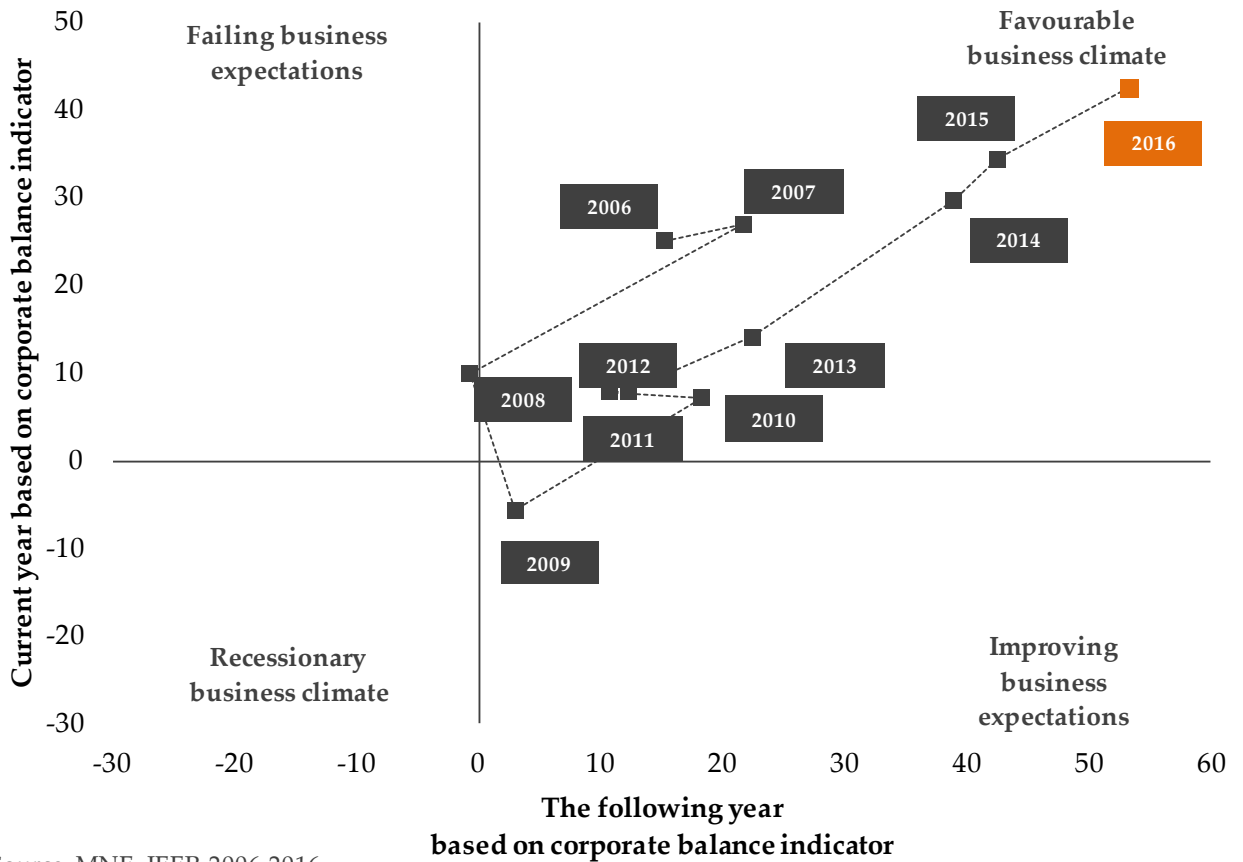
### The survey

During the survey co-workers from county governmental offices and from the IEER Institute questioned altogether 6835 company leaders about their current and expected labour force demand. The results can be considered to be representative by the companies' geographical location, economic sectors and size (headcount).

### Business situation

According to the Short-Term Labor Market Forecast for 2017 the subjective corporate business situation assessment has further improved after the positive shift that happened last year. The value of the general business situation balance indicator is 44 points – that is those who consider their business situation fairly favourable constitute the majority with 44% compared to those who think their business situation is not favourable. Business expectations for 2017 are more optimistic than any time in the previous years. The value of the future business situation balance indicator is 54 points. The optimism originates in the expectations of companies in the economic services, in the tourism and hospitality industry, in the financial sector, in retail, and of companies with foreign ownership and with export activities.

**Figure 1: Subjective assessment of the current and expected general business situation, 2006-2016**

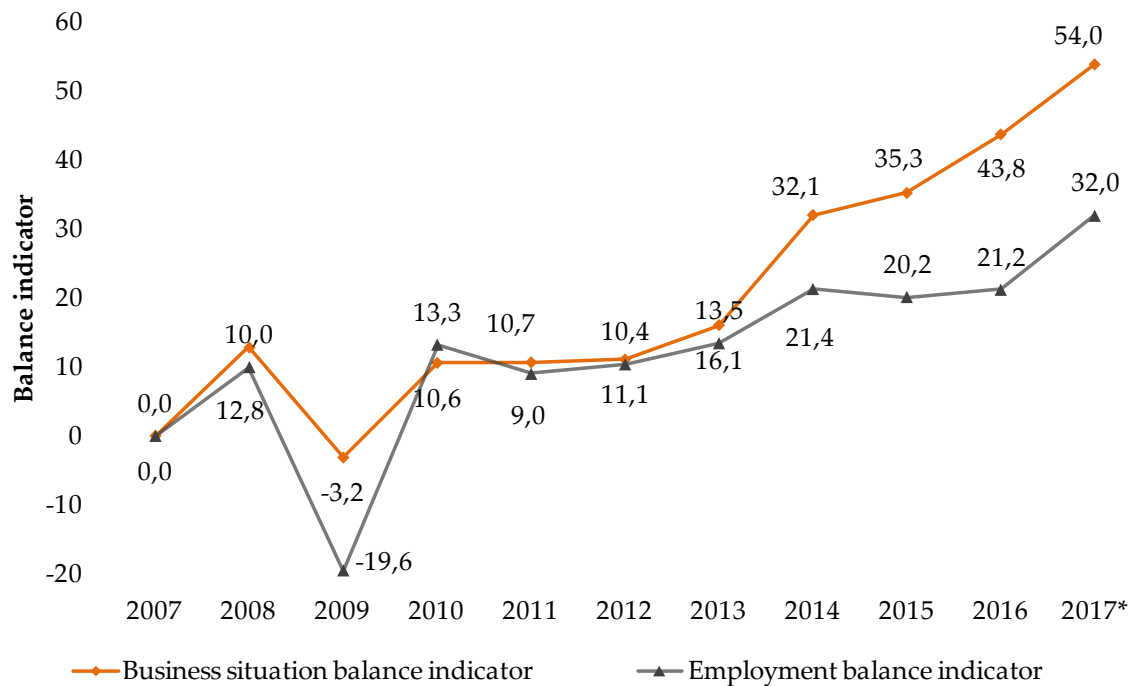


Source: MNE, IEER 2006-2016

### Change in the headcount in the private sector

According to this year’s Short-Term Labor Market Forecast in 2016 the number of those companies that increased their headcount was 21 percentage points higher than that of those companies that reduced their headcount. This rate was 20 percentage points in 2015. For the year 2017 the corporate balance indicator is at 32 points, which means that companies planning to increase their headcount form a majority with 32 percentage points compared to those companies that plan headcount decrease. It should be noted that the improving trends concerning employment does not prove to be as strong as the trend that can be observed in connection with the improving business situation.

**Figure 2: Balance indicators of business situation and employment, 2007-2017**



Balance indicator: the values are indicators on a hundred-point scale. The balance indicators are in each case the difference between the rates of companies giving a positive or a negative situation assessment. Thus, the indicator can have a value between -100 and +100. -100 if all the companies have a negative view on the situation, and +100 if all the companies have a positive view on the situation.

The 2017 values are based on corporate expectations.

Source: MNE, IEER 2007-2016

According to the raw data of the survey if the companies' plans and intentions are to be summed up, then there is a 2.2 percentage point increase in employment for 2017. To have a realistic estimate for employment, it is important to consider what the actual labor force demand was compared to the corporate planned demand among the surveyed companies in the past. Making the estimation model adaptive with such an impact correction then only a 0.1% increase in employment or stagnation is likely for 2017. According to the corrected estimation in retail a 6.1%, in construction a 3.1% and in agriculture a 4.2% decline in employment can be expected. But in the field of economic services a 3.7% and in the case of industrial companies a 1% increase is prognosticated. It is important to highlight that raw company expectations are the most favourable in case of industrial companies and apart from the agricultural sector in all the other sectors the raw company expectations imply a headcount increase. According to the corrected forecast for 2017 among companies with relevant export activities a 1.5% employment increase is to be expected.