



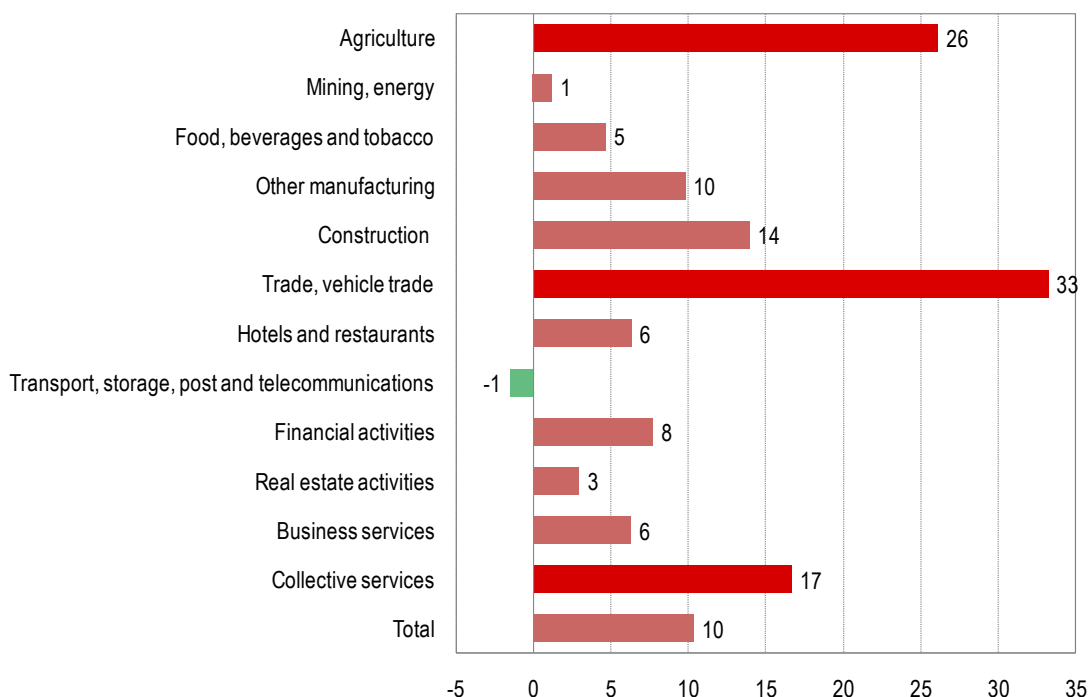
Increasing risk of bankruptcy

According to Hungarian companies, the number of bankrupt businesses will slightly rise this year as well, following an all-time high of last year. They expect a particularly strong wave of bankruptcies in trade and in vehicle trade, as well as in agriculture and in collective services.

In January 2012 GKI Economic Research Co. conducted a business research involving a representative sample of 800 persons on this year's business prospects and bankruptcy likelihood of businesses employing more than five persons. The responding companies represented 1 million 861 thousand employees. The responses were weighted by the number of people employed in the respondent companies.

The profitability of **commercial** enterprises will be severely affected by declining consumer demand this year (after last year's stagnation), by special sectoral levies, by raising the minimum wage, and by the wage compensation requirements due to the gradual phasing out of tax compensation. Largely the same factors are affecting **agricultural** companies as well. Crop farming companies will be less exposed to the risk of bankruptcy due to an increase in subsidies based on arable land, whereas livestock farming companies may expect a greater risk of bankruptcy due to their deteriorating sales position (as a result of increasing feed prices and shrinking opportunities for price increases). The **collective services** sectors will have special difficulties due to the issues in the solvency of the public sector and the decline in publicly funded projects, in addition to the increase of burdens mentioned above. A further problem is the accumulation of households' debts for public utilities, as well as the changing legal environment, which is quite disadvantageous for some companies. (The water utility law strongly narrows the possible range of service providers, and the nationalization of waste management creates an impossible situation for companies providing market-based services.)

The number of possible bankruptcies in 2012 compared to last year among companies with a similar profile



Note: The value is +100 if all respondents expect much more bankruptcies this year than last year, and -100 if all respondents expect much less bankruptcies.

The peak of the new wave of bankruptcies will be felt by companies employing less than 50 people. However, medium-sized companies, employing 100 to 200 people, may also expect an above-average number of bankruptcies.

