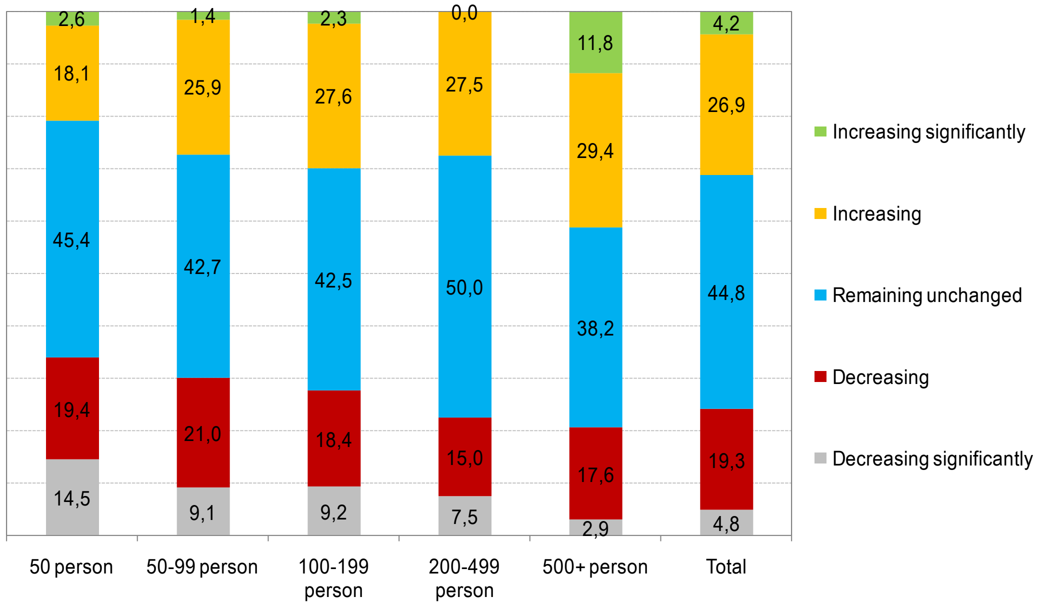
Another wave of layoffs is on the agenda?

According to the survey of GKI made in January, the number of undertakings reckoning with increasing sales revenues exceeds those expecting decreasing ones. In terms of the number of employees and investments, those anticipating contraction are in majority.

Based on a representative corporate sample of 800 units, GKI Economic Research Co. made a survey on the prospects and expectations concerning employment in January 2012 among undertakings employing more than 5 persons. The topic is particularly timely since **in 2011 the rate of Hungary's GDP growth decelerated**, and **with the lift of minimum wages and the phasing out of employees' tax allowances, net earnings of employees are likely to drop and wage costs of the corporate sector to mount in 2012.** Responding companies represent 1.861 million employees. The responses are presented with the number of employees of respondent companies.

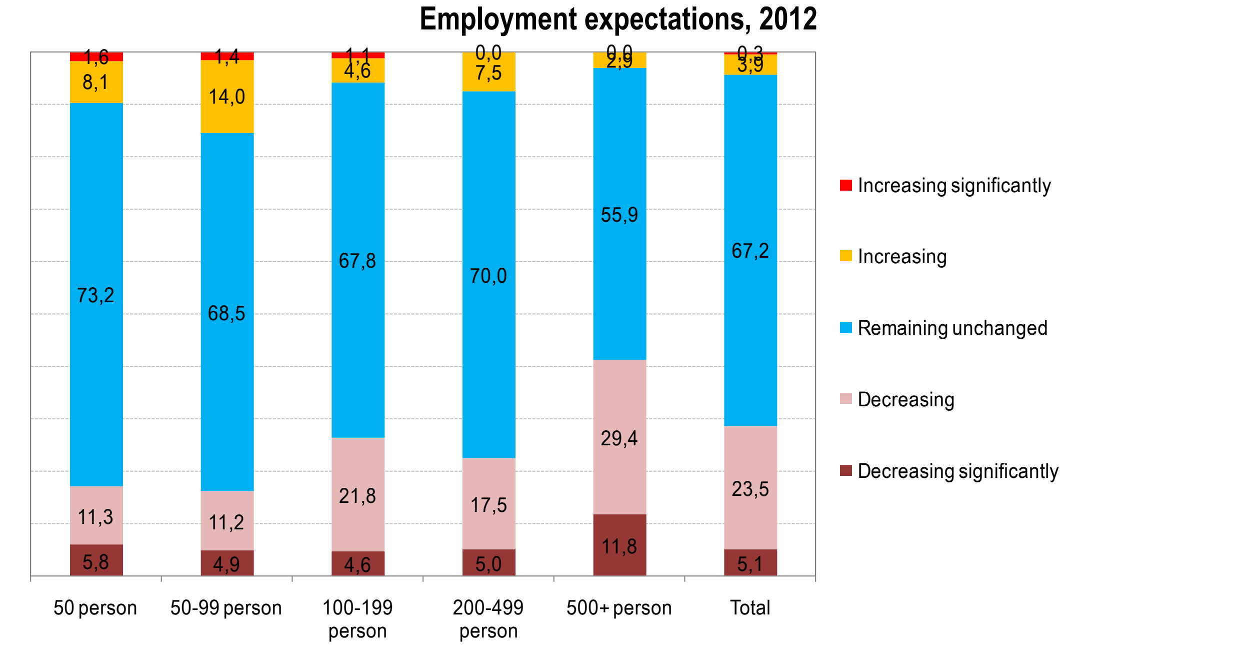
In 201, 4 per cent of firms expect significantly increasing sales revenues, 27 per cent slightly increasing ones. 5 per cent of companies project significant decrease, 19 per cent slight decrease in sales revenues. **Companies employing more than 500 persons are more optimistic**: 40 per cent of this segment expect increasing sales revenues, whereas only 20 per cent decreasing ones. **The smaller a firm is, the worse its prospects are**. **35 per cent of the firms employing less than 50 persons reckon with the drop of sales revenues** and only 25 per cent of them with increase.

Sales revenues expectations, 2012



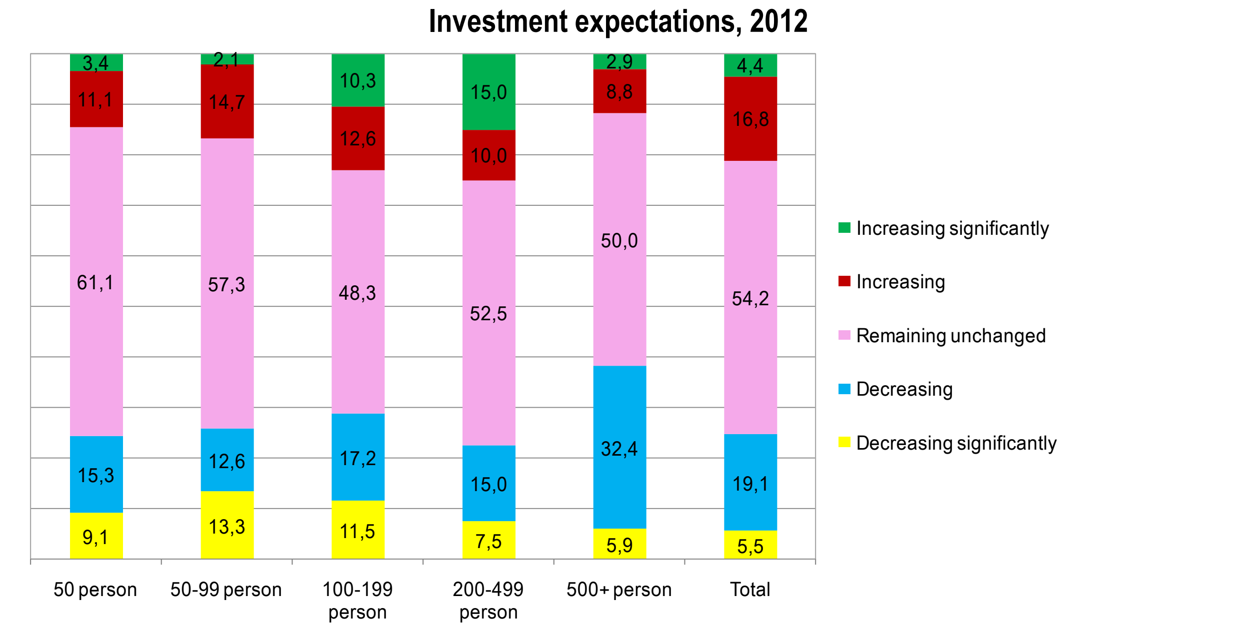
Source: The survey of GKI, January, 2012

Employment prospects are very unfavourable**. 4 per cent of companies plan to raise, 29 per cent to reduce the number of their employees.** The greater a firm is the higher the probability is that it would reduce the number of its employees. Mostly firms employing more than 500 person indicated layoffs (40 per cent of them reduce workforce, 3 per cent lift). **In each company category those reducing employment are in majority** (in spite of the wage compensation). The majority of companies have tried to maintain the workforce partly because they were confident over the recovery, partly because they were able to produce the wage costs. It seems that in early 2012 they gave up and they do not trust in a favourable outcome. **Obviously, the mandatory raising of minimum wages, the further taxation of the cafeteria system, the lifting of social security contributions and the rise of consumption taxes did not improve the mood of corporate leaders**. With the increase of consumption taxes almost all goods and services that are offered to indigenous consumers is becoming more expensive.



Source: The survey of GKI, January, 2012

Investment plans, too, are feeble. 21 per cent of companies plans the increase of investment expenditures, a quarter of them the reduction. It is particularly unfavourable that nearly 40 per cent of companies employing more than 500 persons reduces investment expenditures and only 12 per cent of them plans their increase.



Source: The survey of GKI, January, 2012

GKI Economic Research Co.