



Hungary

Overview

EIB INVESTMENT SURVEY

2020

EIB Group survey on investment
and investment finance 2020
Country overview

Hungary

EIB Group survey on investment and investment finance 2020.

Country overview: Hungary

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About the EIB Investment Survey (EIBIS)

The EIB Group Survey on Investment and Investment Finance, which has been administered since 2016, is a unique, annual survey of some 13 500 firms. It covers firms in all European Union Member States and also includes a sample of firms in the United Kingdom and the United States.

The survey collects data on firm characteristics and performance, past investment activities and future plans, sources of finance, financing issues and other challenges that businesses face. The EIBIS, which uses a stratified sampling methodology, is representative across all 27 EU Member States, the United Kingdom and the United States, as well as across four classes of firm size (micro to large) and four main economic sectors (manufacturing, construction, services and infrastructure). The survey is designed to build a panel of observations, supporting the analysis of time-series data. Observations can also be linked back to data on firm balance sheets and profit and loss statements. The EIBIS was developed by the EIB Economics Department. It is managed by the department with the support of Ipsos MORI.

About this publication

The series of reports provide an overview of data collected for the 27 EU Member States, the United Kingdom and the United States. The reports are intended to provide a snapshot of the data. For the purpose of these publications, data are weighted by value-added to better reflect the contribution of different firms to economic output. Contact: eibis@eib.org.

Download the findings of the EIB Investment Survey for each EU country or explore the data portal at www.eib.org/eibis.

About the Economics Department of the European Investment Bank

The mission of the EIB Economics Department is to provide economic analyses and studies to support the Bank in its operations and in its positioning, strategy and policy. The department and its team of 40 economists is headed by Debora Revoltella, director of economics.

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Disclaimer

The views expressed in this publication are those of the authors and do not necessarily reflect the position of the EIB.

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Ipsos Public Affairs works closely with national governments, local public services and the not-for-profit sector, as well as international and supranational organisations. Its around 200 research staff in London and Brussels focus on public service and policy issues. Its research makes a difference for decision makers and communities.

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EIBIS 2020 – Hungary

KEY RESULTS

Investment Dynamics

With the COVID-19 crisis affecting the economy, investment in Q2 2020 is 11.3 % below the pre-crisis 2019 level. 47% of Hungarian firms report that they will invest less than planned as a result of COVID-19. Another 47% indicated that their plans remain broadly the same.

Investment Focus

Only a quarter (26%) of Hungarian firms are planning to abandon or delay at least some of their investments in the light of COVID-19, which is much lower than the EU average (35%). The same proportion of firms (26%) plan to continue with at least some of their investment plans but with a reduced scale or scope (higher than the 18% EU-wide).

Hungarian firms were investing more into machinery and equipment, and less in intangibles than their EU peers.

Investment Needs and Priorities

Almost six in ten firms (59%) were operating at or above full capacity in 2019, the same level as in EIBIS 2019 and in line with the EU average (61%).

Around one in four firms (24%) believe they invested too little over the last three years. This is well above the EU-wide value of 15%. Looking ahead, capacity expansion is the most commonly cited investment priority among firms (36%), which is above the EU average (26%).

Innovation Activities

When it comes to firms' innovation and R&D activity, only 9% of firms in Hungary are classified as 'active innovators', in line with EIBIS 2019 (12%) but well below the EU average (20%).

Almost two-thirds of firms (64%) have implemented, either fully or partially, at least one digital technology, which is significantly higher than in the last wave (53%). Large firms are much more likely to have implemented at least one digital technology than SMEs (84% versus 40%).

Drivers and Constraints

Firms in Hungary expect the economic climate, business prospects in their sectors and the availability of internal finance to deteriorate markedly in the next twelve months. This is in line with firms across the EU.

Uncertainty about the future is now the most commonly cited long term barrier to investment (66%), replacing the availability of skilled staff, which has been the most prominent barrier in the earlier survey waves.

Investment Finance

The types of external finance used for investment activities in 2019 continued to be more diverse in Hungary compared to the EU. There is a lesser role for bank loans, but non-loan types of bank finance (e.g. overdrafts), and grants were more wide-spread than elsewhere in the EU.

More than three-quarters of firms (77%) report generating a profit in 2019, twelve percentage points lower than EIBIS 2019 but in line with the EU average (80%).

Access to Finance

The highest levels of dissatisfaction recorded among firms in Hungary that used external finance in 2019 is with the cost of finance (9%) and the collateral requirements (8%).

Thirteen per cent of all firms in Hungary could be considered as finance constrained in 2019. This is a slight increase of five percentage points relative to EIBIS 2019 and more than double of the EU average (6%).

Energy Efficiency

About four in ten firms in Hungary (41%) have invested in measures to improve their energy efficiency, below the EU average (47%).

The average share of investment in measures to improve energy efficiency by firms in Hungary (11%) was the same as EIBIS 2019 and in line with the EU average (12%).

Climate Change

Four in ten firms in Hungary (41%) report that climate change and the related changes in weather patterns has had a minor impact on their business. This is similar to the EU average (35%).

More firms in Hungary are expecting the transition to a low-carbon future to be positive than negative for their reputation (13%) and market demand (4%) over the next five years but to have, on balance, a negative impact on their supply chain (-15%) in the next five years.

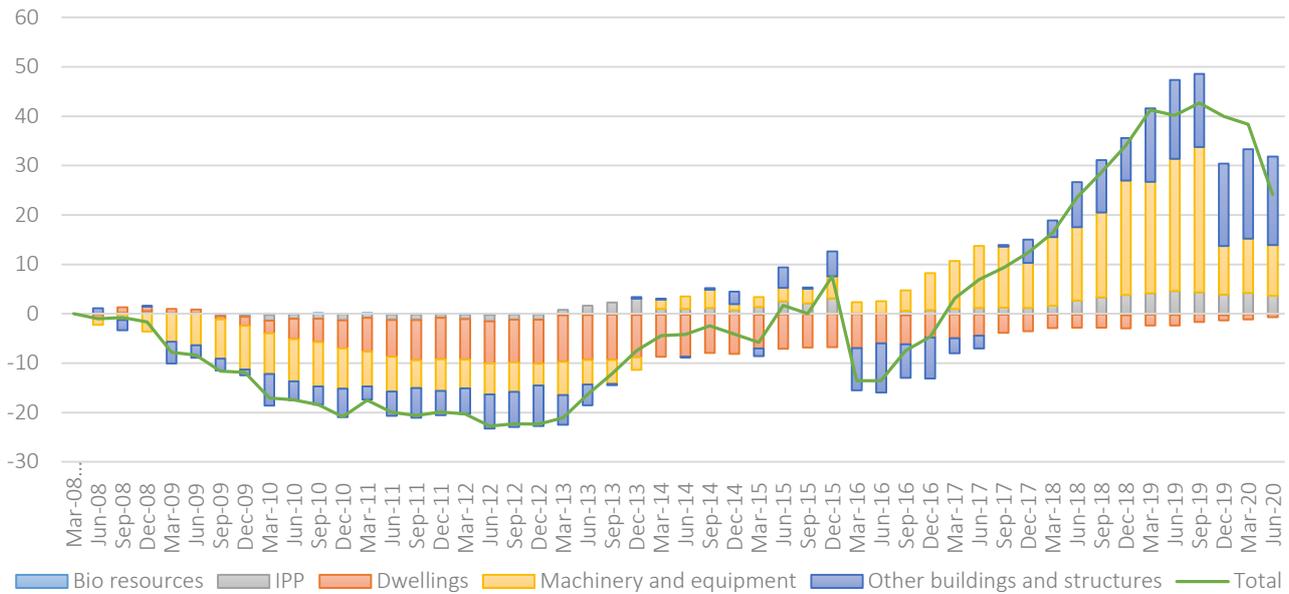
More than half of firms in Hungary (53%) have already invested or plan to invest in the next three years in measures to tackle the impact of weather events and reduction in carbon emissions. This is well below the EU average (67%).

Investment Dynamics

INVESTMENT DYNAMICS BY ASSET TYPE

With the COVID-19 crisis abruptly affecting the economy, investment in Q2 2020 is -11.3 % below the pre-crisis 2019 level.

The negative investment dynamics end a period of relatively stable growth in investment.



The graph shows the evolution of total Gross Fixed Capital Formation (in real terms); by asset type. The data has been indexed to equal 0 in 2008. Source: Eurostat.

INVESTMENT CYCLE

Hungary has moved from the 'low investment expanding' quadrant to the 'low investment contracting' quadrant on the investment cycle.

In comparison to EIBIS 2019, more firms are investing (78% versus 69%) but - as in the EU - the net balance of firms expecting to increase rather than decrease investment in the current financial year has declined sharply due to the COVID-19 shock.

The services sector has the lowest share of firms investing (63%) but has a positive balance in terms of firms expecting to increase rather than decrease their investment (+3%).

Manufacturing and construction firms have the highest share of firms investing, but they expect stronger slow-down looking ahead.



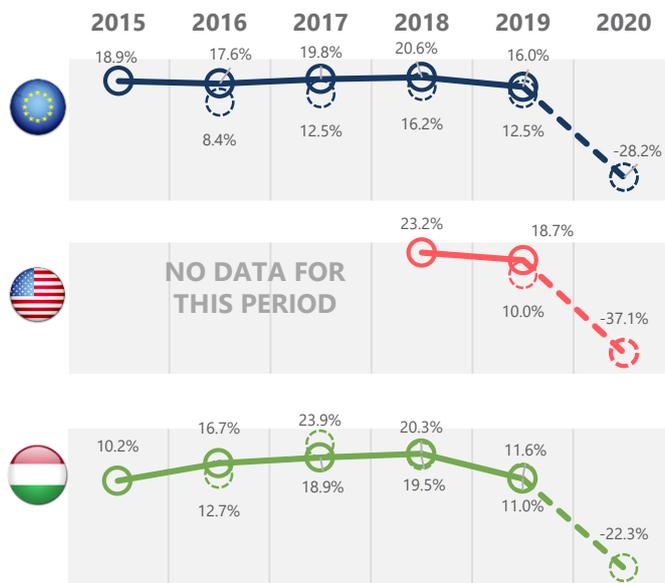
Share of firms investing shows the percentage of firms with investment per employee greater than EUR 500. The y-axis line crosses x-axis on the EU average for 2016.

Base: All firms (excluding don't know/refused responses)

Investment Dynamics

EVOLUTION OF INVESTMENT EXPECTATIONS

Realised/expected change in investment



More firms increased rather than decreased their investment in the last financial year (11%), in line with expectations formulated in EIBIS 2019 (12%). Nevertheless, it is slightly below the EU average (16%).

The outlook for the current financial year, affected by the COVID-19 crisis, is particularly negative (-22%) but it is better than the expectation EU-wide (-28%).



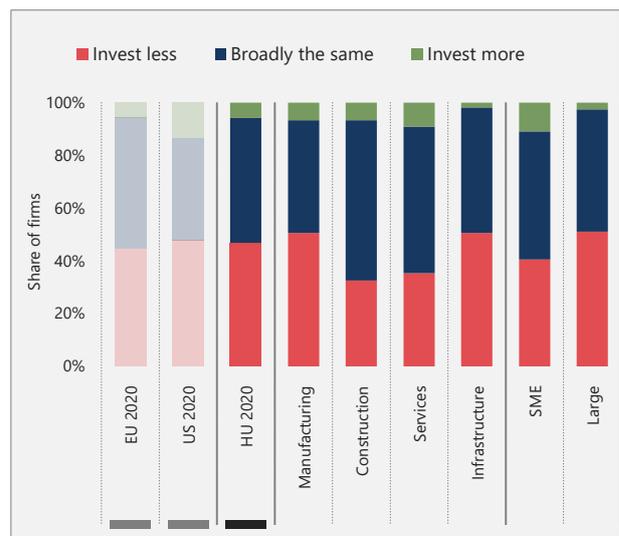
'Realised change' is the share of firms who invested more minus those who invested less; 'Expected change' is the share of firms who expect(ed) to invest more minus those who expect(ed) to invest less.

Base: All firms

IMPACT OF COVID-19 ON INVESTMENT

47% of Hungarian firms report that they will invest less than planned as a result of COVID-19. Another 47% indicated that their plans remain broadly the same. These are in line with the EU average (45% and 50% respectively).

Firms in the manufacturing and infrastructure sectors are more likely to report investing less (both 51%). 61% of the construction firms are likely to maintain their plans broadly the same, indicating a perceived relative resilience of the property sector to the crisis.



Q. Have your company's overall investment expectations for 2020 changed due to coronavirus?

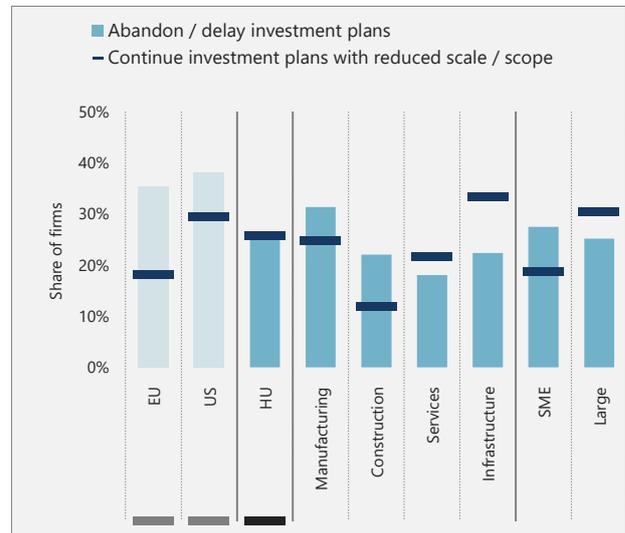
Base: All firms with investment plans for the current financial year (excluding don't know/refused responses)

Investment Focus

ACTIONS AS A RESULT OF COVID-19

Only a quarter (26%) of Hungarian firms are planning to abandon or delay at least some of their investments as a result of COVID-19, which is much lower than the EU average (35%).

The same proportion of firms (26%) plan to continue with at least some of their investment plans, but with a reduced scale or scope (higher than the 18% EU-wide).

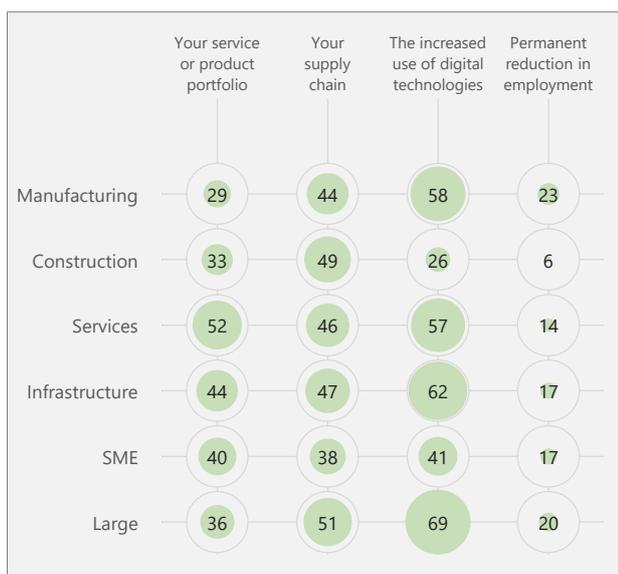


Q. You said you will invest less due to coronavirus. Can I just check which of the following actions will your company undertake?

Please note some firms may be taking multiple actions i.e. abandoning/delaying some investment plans whilst continuing with other plans at a reduced scale or scope.

Base: All firms with investment plans for the current financial year (excluding don't know/refused responses)

LONG TERM IMPACT OF COVID-19 BY SECTOR AND SIZE



The most frequently cited long-term impact of COVID-19 on firms in Hungary is the increased use of digital technologies (57%).

However, fewer firms expect the increased use of digital technologies within the construction sector (26%, compared to between 57% and 62% for the other sectors) and among SMEs rather than large firms (41% versus 69%). About half of the construction firms considered the long-term impact on supply chains to be important.

Almost one in five firms (19%) expect a permanent reduction in employment levels, this share is lowest (6%) for construction firms.

Q. Do you expect the coronavirus outbreak to have a long-term impact on any of the following?

Base: All firms

Investment Focus

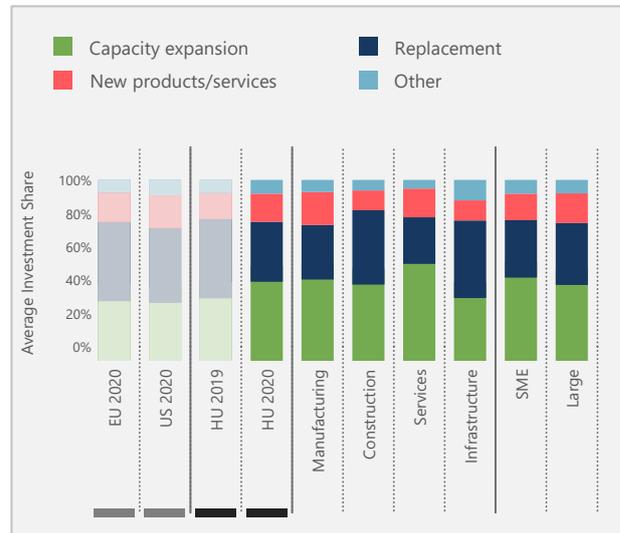
PURPOSE OF INVESTMENT IN LAST FINANCIAL YEAR (% of firms' investment)

The largest share of Hungarian firms' investment activity was dedicated to capacity expansion in 2019 (39%). This represents an increase of ten percentage points relative to EIBIS 2019 and it is well above the EU average (27%).

This is followed by replacing existing capital (36%), a decrease of twelve percentage points on EIBIS 2019 and below the EU average (47%).

Infrastructure firms dedicated only 29% of their investment to capacity expansion, and their main focus was replacement (46%).

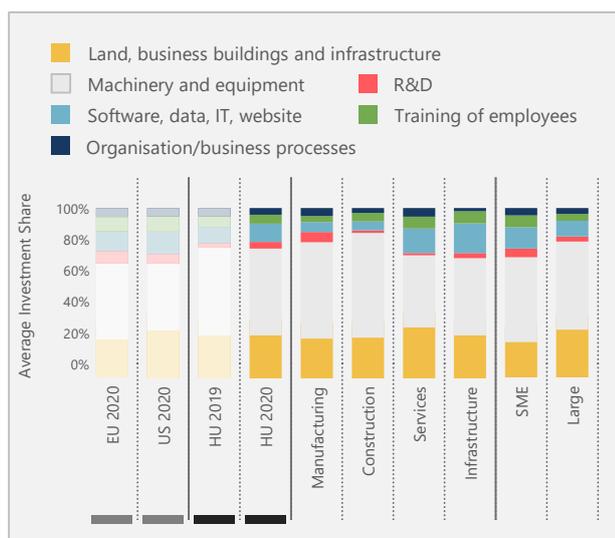
One in six firms (17%) invested in new products/services, in line with EIBIS 2019 (16%) and the EU average (18%).



Q. What proportion of total investment was for (a) replacing capacity (including existing buildings, machinery, equipment, IT) (b) expanding capacity for existing products/services (c) developing or introducing new products, processes, services?

Base: All firms who have invested in the last financial year (excluding don't know/refused responses)

INVESTMENT AREAS



Out of the six investment areas considered, the highest share of investment in Hungary was in machinery and equipment (56%), the same level as EIBIS 2019 and higher than the EU average (49%).

This was followed by land, business buildings and infrastructure (18%) and software, data, IT and website activities (12%), similar levels to EIBIS 2019 and the EU average. Nevertheless, the overall share of intangible investment continued to be lower than the EU average.

Construction firms report a higher share of investment in machinery and equipment compared to services and infrastructure firms (67% versus 46% and 50% respectively).

Q. In the last financial year, how much did your business invest in each of the following with the intention of maintaining or increasing your company's future earnings?

Base: All firms who have invested in the last financial year (excluding don't know/refused responses)

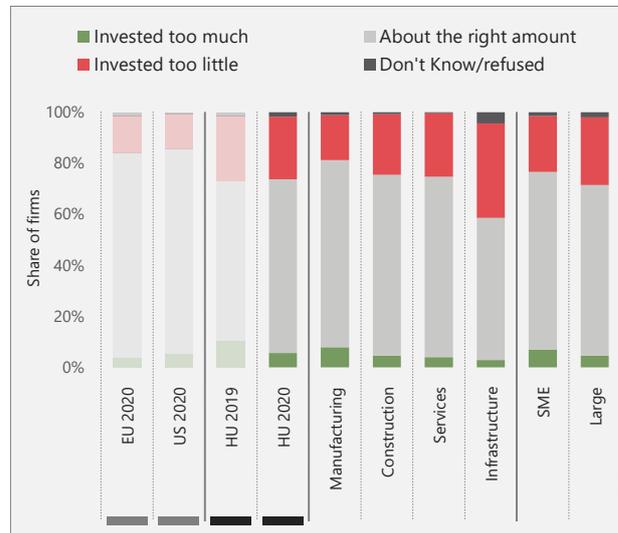
Investment Needs and Priorities

PERCEIVED INVESTMENT GAP

Around one in four firms (24%) believe they invested too little over the last three years. This is well above the EU-wide value of 15%. Only 6% of firms reported investing too much (in line with 4% EU-wide).

More than two-thirds of firms (68%) believe they have invested about the right amount, broadly in line with EIBIS 2019 (62%).

Infrastructure firms are more likely to report investing too little compared to manufacturing and construction firms (37% versus 18% and 24% respectively).



Q. Looking back at your investment over the last 3 years, was it too much, too little, or about the right amount?

Base: All firms (excluding 'Company didn't exist three years ago' responses)

SHARE OF FIRMS AT OR ABOVE FULL CAPACITY



Full capacity is the maximum capacity attainable under normal conditions e.g. company's general practices regarding the utilization of machines and equipment, overtime, work shifts, holidays etc.

Q. In the last financial year, was your company operating above or at maximum capacity attainable under normal circumstances?

Base: All firms (data not shown for those operating somewhat or substantially below full capacity)

Almost six in ten firms (59%) were operating at or above full capacity in the last financial year. This is the same level as in EIBIS 2019 and in line with the EU average (61%).

Firms in the construction sector were more likely to be operating at or above full capacity compared to manufacturing and services firms (80% versus 47% and 67% respectively).

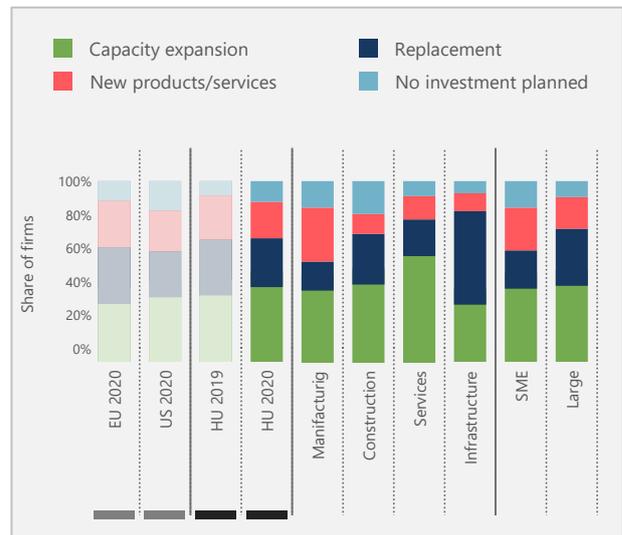
Investment Needs and Priorities

FUTURE INVESTMENT PRIORITIES (% of firms)

Looking ahead to the next three years, capacity expansion is the most commonly cited investment priority among firms (36%), in line with EIBIS 2019 (32%) but above the EU average (26%).

Firms in the services sector are the most likely to report prioritising capacity expansion (55%), while infrastructure firms are more likely to report replacement (56%).

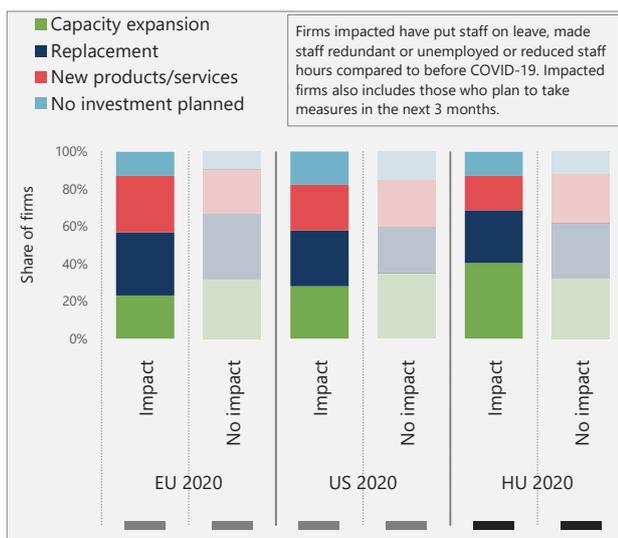
Investment in developing or introducing new products, processes or services is prioritised by 22% of firms in Hungary. Manufacturing firms prioritise it more than firms in the other sectors (32%, compared to between 11% and 14%).



Q. Looking ahead to the next 3 years, which is your investment priority (a) replacing existing buildings, machinery, equipment, IT; (b) expanding capacity for existing products/services; (c) developing or introducing new products, processes, services?

Base: All firms (excluding don't know/ refused responses)

COVID-19 IMPACT ON PRIORITIES



When splitting the results by firms impacted by COVID-19 and firms that were not, impacted firms in Hungary are more likely to have been prioritising investment in capacity expansion than EU firms (41% versus 23%), and less likely to be prioritising investment in developing new products and services (19% versus 30%).

Q. Looking ahead to the next 3 years, which is your investment priority (a) replacing existing buildings, machinery, equipment, IT; (b) expanding capacity for existing products/services; (c) developing or introducing new products, processes, services?

Q. Thinking about the impact of coronavirus, have you had to put staff temporarily on leave, make staff redundant or unemployed or reduce the number of hours they work compared to before the coronavirus pandemic?

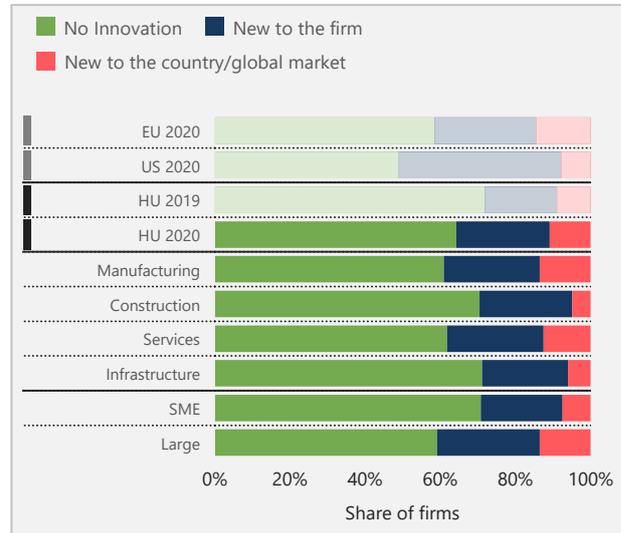
Base: All firms (excluding don't know/ refused responses)

Innovation Activities

INNOVATION ACTIVITY

More than one-third of all firms (36%) developed or introduced new products, processes or services as part of their investment activities. This is eight percentage points higher than in EIBIS 2019 but still remains below the EU average (42%) - which also increased since the last survey wave.

One in four firms (25%) report innovation that is new to the firm, and a further one in ten (11%) report products or services new to the country or to the global market.

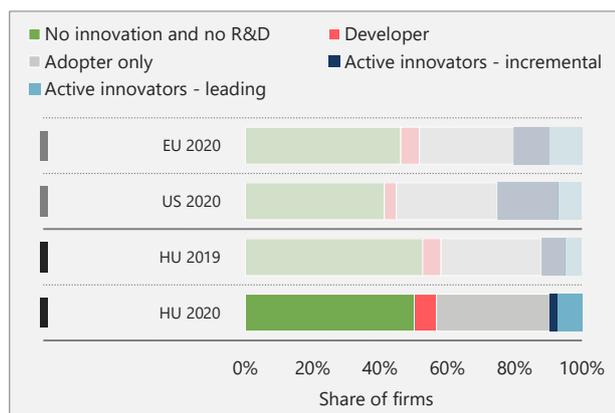


Q. What proportion of total investment was for developing or introducing new products, processes, services?

Q. Were the products, processes or services new to the company, new to the country, new to the global market?

Base: All firms (excluding don't know/ refused responses)

INNOVATION PROFILE



Q. What proportion of total investment was for developing or introducing new products, processes, services?

Q. Were the products, processes or services new to the company, new to the country, new to the global market?

Q. In the last financial year, how much did your business invest in Research and Development (including the acquisition of intellectual property) with the intention of maintaining or increasing your company's future earnings?

Base: All firms (excluding don't know/refused responses)

When it comes to firms' innovation and research & development activity, only 9% of firms in Hungary are classified as 'active innovators'. This is in line with EIBIS 2019 (12%) but well below the EU average (20%).

The share of 'developers', i.e. firms that invested heavily in R&D activity but did not produce a new product, process or service, is 7% in Hungary, in line with the EU average (6%).

The 'No innovation and no R&D' group comprises firms that did not introduce any new products, processes or services in the last financial year. The 'Adopter only' introduced new products, processes or services but without undertaking any of their own research and development effort. 'Developers' are firms that did not introduce new products, processes or services but allocated a significant part of their investment activities to research and development. 'Incremental' and 'Leading innovators' have introduced new products, processes and services and also invested in research and development activities. The two profiles differ in terms of the novelty of the new products, processes or services. For incremental innovators these are 'new to the firm'; for leading innovators these are new to the country/world'.

Innovation Activities

IMPLEMENTATION OF DIGITAL TECHNOLOGIES

Almost two-thirds of firms (64%) have implemented digital technologies, either fully or partially. This is an increase of eleven percentage points on EIBIS 2019 (53%) and is in line with the EU average (63%).

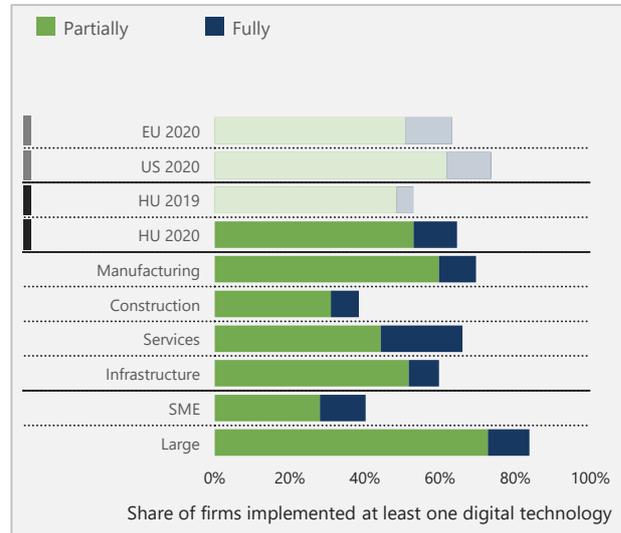
Firms in the construction sector are the least likely to have implemented digital technologies within their business (38%, compared to services 60% and manufacturing 69%).

Large firms are much more likely to have implemented at least one digital technology than SMEs (84% versus 40%).

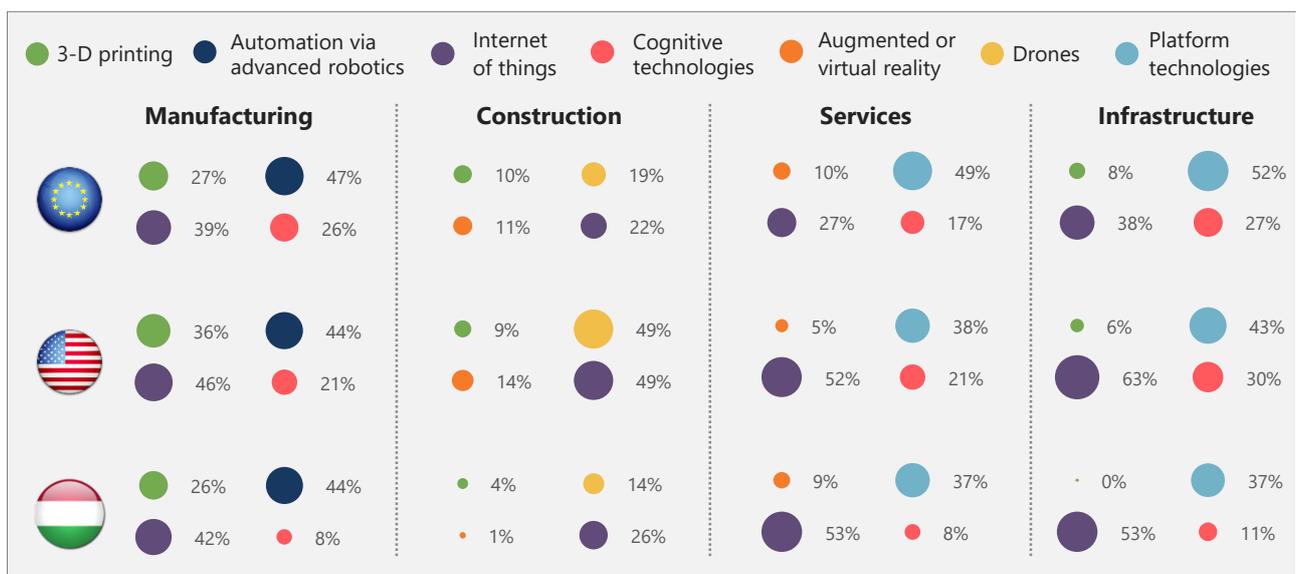
Firms in Hungary report relatively high take-up of the 'internet of things' compared to their EU peers, within the services and infrastructure sectors (both 53%).

Q. Can you tell me for each of the following digital technologies if you have heard about them, not heard about them, implemented them in parts of your business, or whether your entire business is organised around them?

Base: All firms (excluding don't know/ refused responses)



DIGITAL TECHNOLOGIES BY SECTOR



Q. Can you tell me for each of the following digital technologies if you have heard about them, not heard about them, implemented them in parts of your business, or whether your entire business is organised around them?

Reported shares combine implemented the technology 'in parts of business' and 'entire business organised around it'

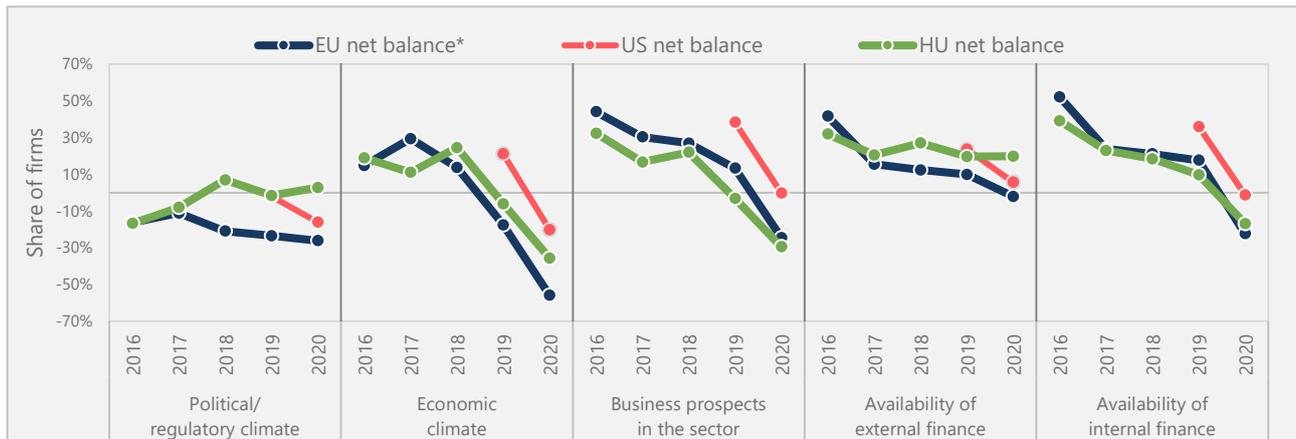
Base: All firms (excluding don't know/refused responses)

Drivers And Constraints

SHORT TERM FIRM OUTLOOK

Companies in Hungary - in line with EU peers - expect the economic climate, business prospects in their sectors and the availability of internal finance to deteriorate in the next twelve months.

In contrast, firms in Hungary are more optimistic than firms in the EU regarding the political/regulatory climate (+3% versus -26%) and the availability of external finance (+20% versus -2%).



Q, Do you think that each of the following will improve, stay the same, or get worse over the next twelve months?

*Net balance is the share of firms seeing improvement minus the share of firms seeing a deterioration

Base: All firms

SHORT TERM FIRM OUTLOOK BY SECTOR AND SIZE (NET BALANCE %)



Please note: green figures are positive, red figures are negative

Q, Do you think that each of the following will improve, stay the same, or get worse over the next twelve months?

*Net balance is the share of firms seeing improvement minus the share of firms seeing a deterioration

Base: All firms

All sectors and sizes of firm are relatively pessimistic about the economic climate, business prospects in their sector and the availability of internal finance.

Infrastructure firms are the most negative on all five components of short-term outlooks - economic climate (-58%), business prospects (-61%), internal finance (-46%), external finance (-17%) and the political/regulatory climate (-10%).

Large firms are more negative about the availability of internal finance than SMEs (-24% versus -8%).

Drivers And Constraints

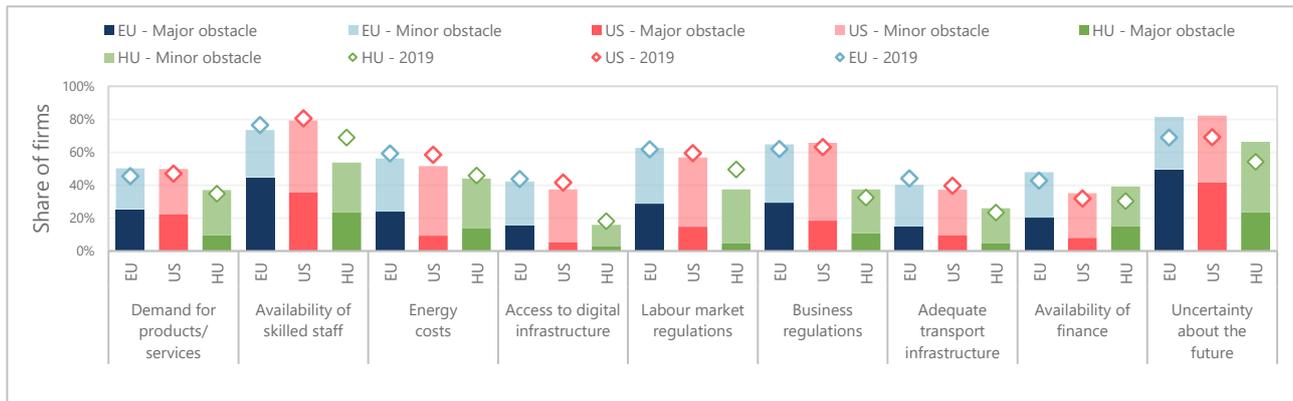
LONG TERM BARRIERS TO INVESTMENT

Uncertainty about the future has been the most cited long term barrier to investment (66%). It has increased by 12 percentage points since the last wave, but remains below the EU average (81%).

This is followed by the availability of skilled staff (54%). This barrier's importance has decreased

markedly - by fifteen percentage points - since EIBIS 2019.

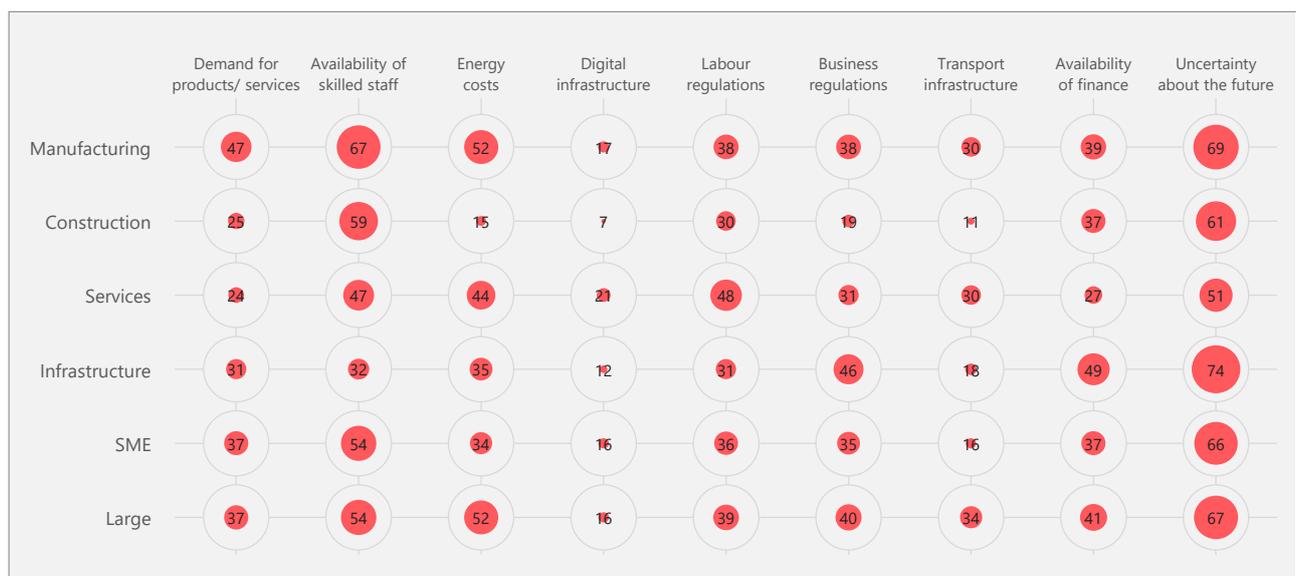
There has also been a decline in the share of firms citing labour market regulations as a long term barrier to investment (37% down from 50%).



Q. Thinking about your investment activities in Hungary, to what extent is each of the following an obstacle? Is it a major obstacle, a minor obstacle or not an obstacle at all?

Base: All firms (data not shown for those who said not an obstacle at all/don't know/refused)

LONG TERM BARRIERS BY SECTOR AND SIZE



Q. Thinking about your investment activities in Hungary, to what extent is each of the following an obstacle? Is it a major obstacle, a minor obstacle or not an obstacle at all?

Reported shares combine 'minor' and 'major' obstacles into one category

Base: All firms (data not shown for those who said not an obstacle at all/don't know/refused)

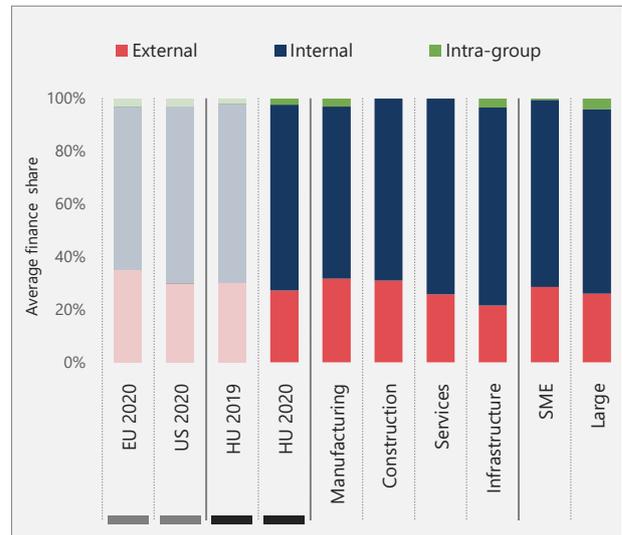
Investment Finance

SOURCE OF INVESTMENT FINANCE

The main financing source of investment activity in Hungary in the last financial year was internal funding (70%). This is in line with EIBIS 2019 (68%) but above the EU average (62%), indicating that Hungarian firms rely less on financial intermediation than their EU peers.

External finance made up more than one-quarter of investment finance (27%) and there is very little intra-group funding (2%).

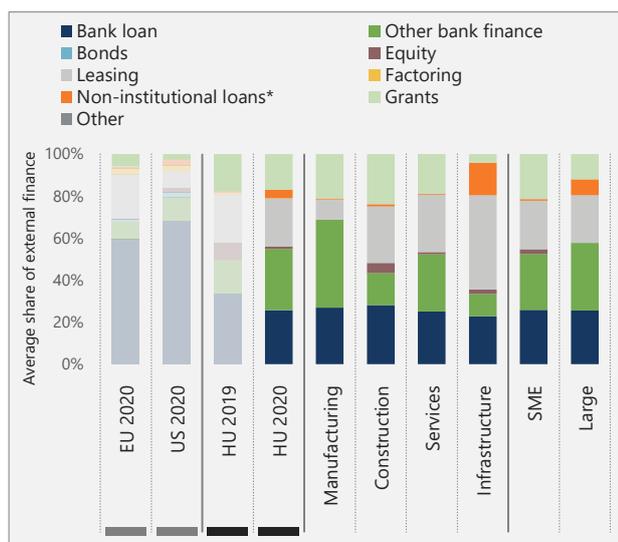
This pattern is similar across all sectors and sizes of firms.



Q. What proportion of your investment was financed by each of the following?

Base: All firms who invested in the last financial year (excluding don't know/refused responses)

TYPE OF EXTERNAL FINANCE USED FOR INVESTMENT ACTIVITIES



Q. Approximately what proportion of your external finance does each of the following represent?

*Loans from family, friends or business partners

Base: All firms who used external finance in the last financial year (excluding don't know/refused responses)

The distribution of the forms of external finance used for investment activities continues to be more diverse in Hungary compared to the EU. Non-loan bank finance has the highest proportion (29%), followed by bank loans (26%), leasing or hire purchase (23%) and grants (17%). Bank loans continued to make up the highest share of external finance for the EU average (59%). The high share of grants can be attributed to the availability of financing from the European Structural and Investment Funds (ESIF).

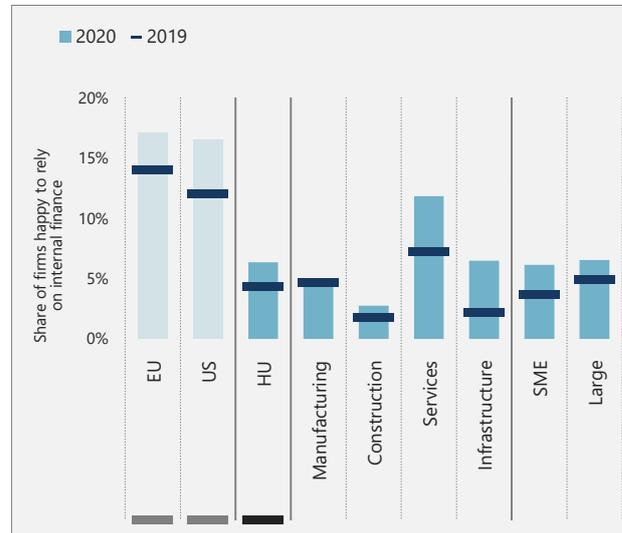
Manufacturing firms used more other (non-loan) bank finance compared to infrastructure and construction firms (42% versus 11% and 15% respectively), whereas infrastructure firms had a higher share of external financing attributed to leasing or hire purchase than manufacturing firms (45% versus 10%).

Investment Finance

SHARE OF FIRMS HAPPY TO RELY EXCLUSIVELY ON INTERNAL SOURCES TO FINANCE INVESTMENT

Only six per cent of all firms in Hungary report they were happy to use internal funds or did not have a need for external finance as the main reason for not applying for external finance to fund their investment activities in 2019. This is well below the EU average (17%).

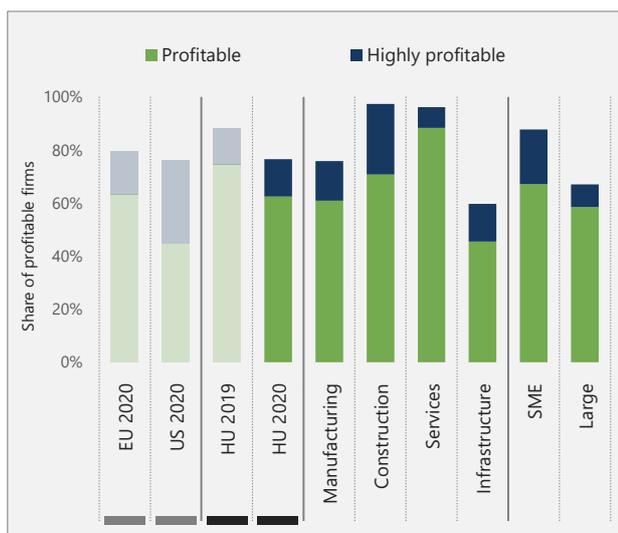
Services firms were more satisfied with relying on internal sources than construction and manufacturing firms (12% versus 3% and 5% respectively).



Q. What was your main reason for not applying for external finance for your investment activities? Was happy to use internal finance/didn't need the finance

Base: All firms

SHARE OF PROFITABLE FIRMS



More than three-quarters of firms (77%) report generating a profit in the last financial year, twelve percentage points lower than EIBIS 2019 but in line with the EU average (80%).

Specifically, 14% of firms claim to be highly profitable, defined as generating a profit level at least 10% of firm turnover. This is similar to the EU average (16%).

Almost all construction and services firms report making any profit (97% and 96% respectively) and the former has the largest share of highly profitable firms (27%).

SMEs firms are more likely to report making a profit than large firms (88% versus 67%).

Q. Taking into account all sources of income in the last financial year, did your company generate a profit or loss before tax, or did you break even? Highly profitable is defined as profits/turnover of 10% or more

Base: All firms (excluding don't know/refused)

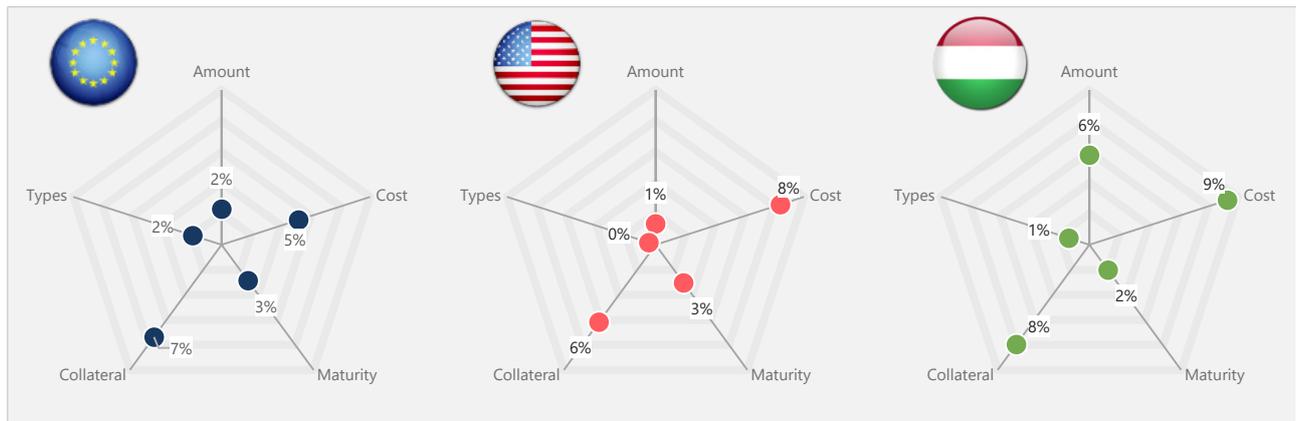
Access To Finance

DISSATISFACTION WITH EXTERNAL FINANCE RECEIVED

Firms using external finance in 2019 are on balance satisfied with the amount, cost, maturity, collateral and type of finance received.

The highest levels of dissatisfaction recorded among firms in Hungary is with the cost of finance (9%) and the collateral requirements (8%).

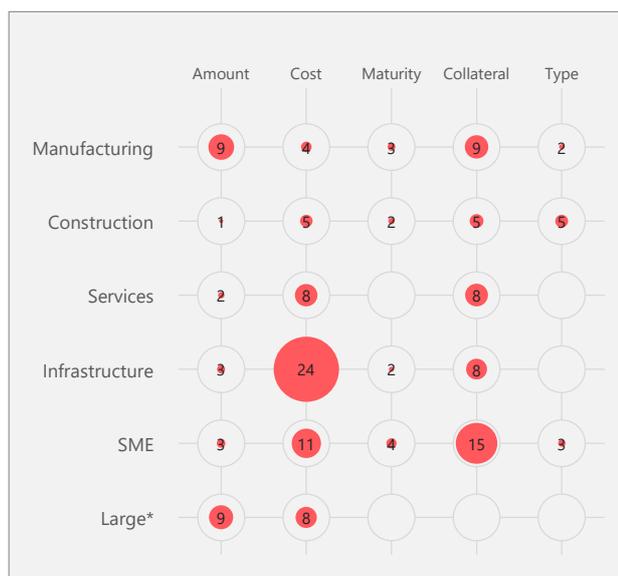
Share of dissatisfied firms



Q. How satisfied or dissatisfied are you with ...?

Base: All firms who used external finance in the last financial year (excluding don't know/refused responses)

DISSATISFACTION BY SECTOR AND SIZE (%)



Levels of dissatisfaction are low, among infrastructure firms the highest level of dissatisfaction was with the cost of the finance obtained.

Q. How satisfied or dissatisfied are you with ...?

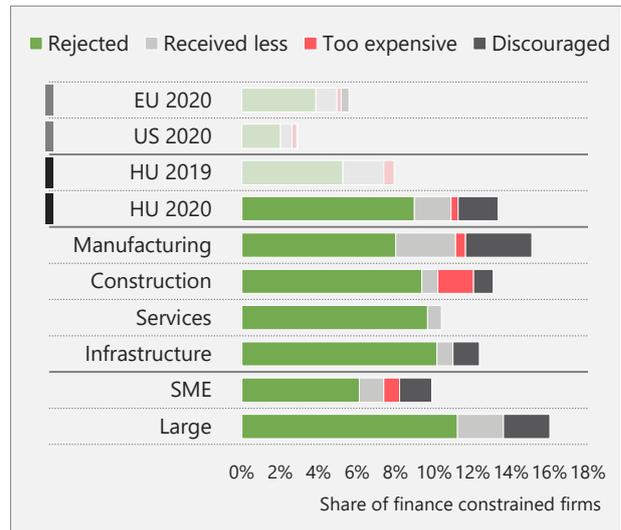
Base: All firms who used external finance in the last financial year (excluding don't know/ refused responses) * Caution very small base size less than 30
Effective bases for sub-groups are less than 30 – no significance testing applied

Access To Finance

SHARE OF FINANCE CONSTRAINED FIRMS

Thirteen per cent of all firms in Hungary could be considered as financially constrained in 2019. This represents an increase of five percentage points on EIBIS 2019 and it is more than double the level of the EU average (6%).

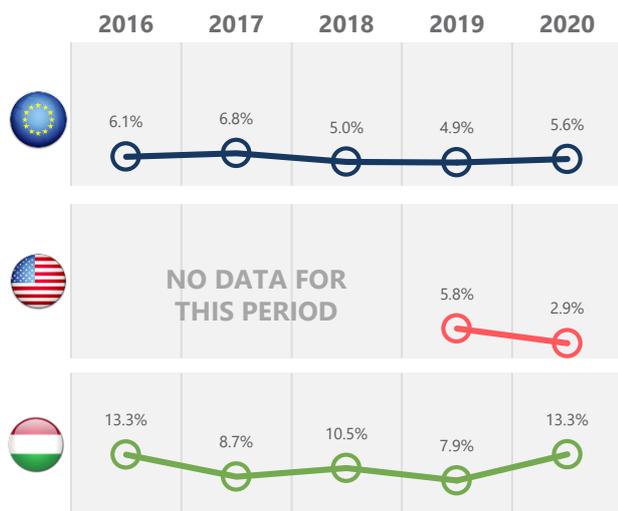
Large firms report a slightly stronger financing constraints than SMEs – possibly due to the fact that many COVID-19 related financial measures have been targeting SMEs specifically.



Finance constrained firms include: those dissatisfied with the amount of finance obtained (received less), firms that sought external finance but did not receive it (rejected) and those who did not seek external finance because they thought borrowing costs would be too high (too expensive) or they would be turned down (discouraged)

Base: All firms

FINANCING CONSTRAINTS OVER TIME



There has been a slight increase in the share of finance constrained firms since EIBIS 2019, and it has now reached the same level as EIBIS 2016.

Firms in Hungary are much more likely to be finance constrained when compared to the EU average.

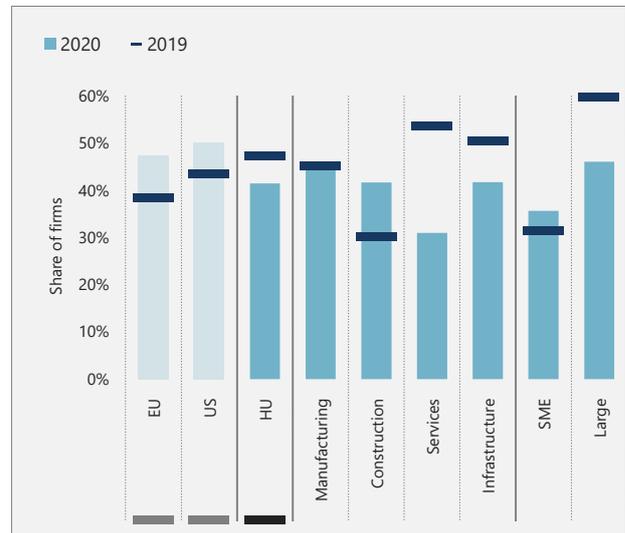
Base: All firms

Energy Efficiency

SHARE OF FIRMS INVESTING IN MEASURES TO IMPROVE ENERGY EFFICIENCY

More than four out of ten firms in Hungary (41%) have invested in measures to improve their energy efficiency, which is broadly in line with the EU average (47%), but it is lower than what was reported in the last wave.

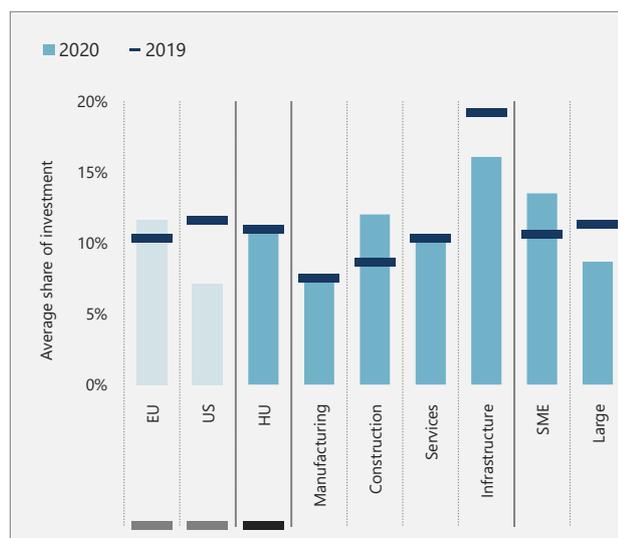
The largest decline in energy efficient investments since EIBIS 2019 is attributed to the services sector (down by 23 percentage points). As a consequence the service sector has gone from the sector with the highest share (54%) to the one with the lowest share (31%).



Q. What proportion of total investment in the last financial year was primarily for measures to improve energy efficiency in your organisation?

Base: All firms

AVERAGE SHARE OF INVESTMENT IN MEASURES TO IMPROVE ENERGY EFFICIENCY



The average share of investment in measures to improve energy efficiency by firms in Hungary (11%) was the same as EIBIS 2019 and in line with the EU average (12%).

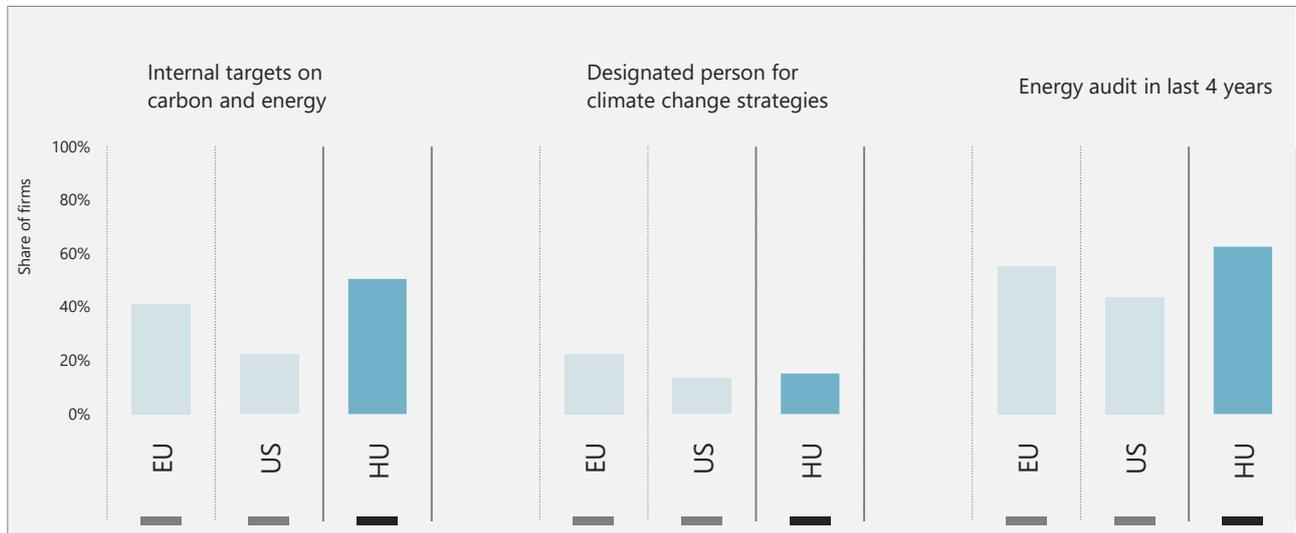
The average share of investment is similar across all sectors and sizes of firms.

Q. What proportion of total investment in the last financial year was primarily for measures to improve energy efficiency in your organisation?

Base: All firms who had invested in the last financial year (excluding don't know/refused responses)

Energy Efficiency

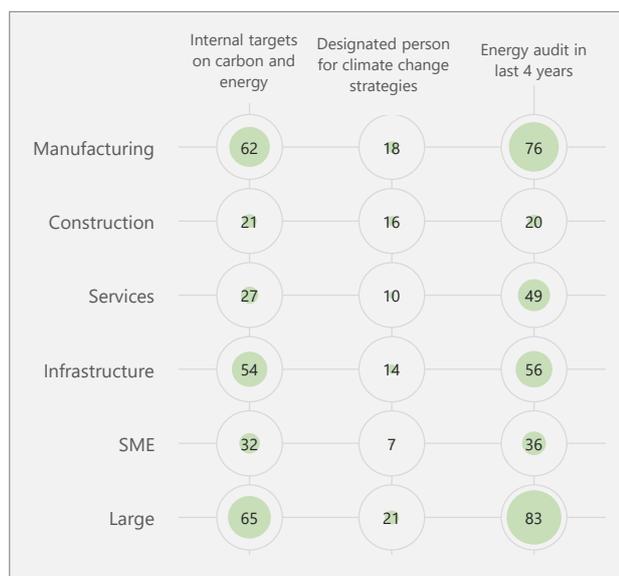
ENERGY TARGETS, MANAGEMENT AND INTERNAL AUDIT



Q. In 2019 and under normal conditions, did your company set and monitor internal targets on carbon emissions and energy consumption?
 Q. In 2019 and under normal conditions, did your company have a designated person responsible for defining and monitoring climate change strategies?
 Q. And can I check, in the past four years has your company had an energy audit? By this, I mean an assessment of the energy needs and efficiency of your company's building or buildings

Base: All firms

ENERGY TARGETS, MANAGEMENT AND INTERNAL AUDIT BY SECTOR AND SIZE



Firms in Hungary are more likely to have had an energy audit in the past four years (63% versus 55%) than EU firms. They are also more likely to have set internal targets on carbon emissions and energy consumption (50% versus 41%). However, they are less likely to have designated a person to develop and monitor their climate change strategies than EU firms (15% versus 23%).

In comparison to the other sectors, firms in the manufacturing sector are more likely to have had an energy audit in the past four years (76%, compared to between 20% and 56%).

Large firms are much more likely to have all three of these elements in place than SMEs .

Q. In 2019 and under normal conditions, did your company set and monitor internal targets on carbon emissions and energy consumption?
 Q. In 2019 and under normal conditions, did your company have a designated person responsible for defining and monitoring climate change strategies?
 Q. And can I check, in the past four years has your company had an energy audit? By this, I mean an assessment of the energy needs and efficiency of your company's building or buildings

Base: All firms

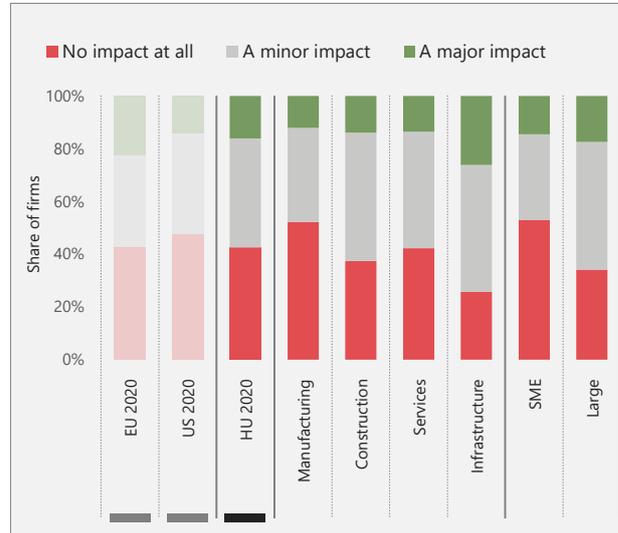
Climate Change

CLIMATE CHANGE IMPACT

More than four in ten firms in Hungary (41%) report that climate change and the related changes in weather patterns has had a minor impact on their business. This is similar to the EU average (35%).

A further 16% report a major impact, which is below the EU average (23%).

Large firms are more likely to report to have been impacted in either a major or minor way than SMEs (66% versus 47%). Similarly, infrastructure firms are more likely to be perceived impacted than manufacturing and services firms (74% versus 48% and 58% respectively).



Q, Thinking about climate change and the related changes in weather patterns, would you say these weather events currently have a major impact, a minor impact or no impact at all on your business?

Base: All firms (excluding don't know / refused responses)

REDUCTION IN CARBON EMISSIONS OVER NEXT FIVE YEARS BY SECTOR AND SIZE (NET IMPACT %)



Please note: green figures are positive, red figures are negative

Q. What impact will the transition to a reduction of carbon emissions have on the following aspects of your business over the next five years?

Base: All firms

Firms in Hungary are expecting the transition to a low-carbon future to be positive for their reputation (13%) and market demand (4%) but to have a negative impact on their supply chain (-15%) over the next five years.

Construction firms believe it will be more positive for their reputation compared to infrastructure firms (32% versus 1%), whereas services firms are relatively more positive about market demand (12%).

Manufacturing and services firms (-26% and -14% respectively) are more negative about the impact on their supply chain than firms in other sectors.

*Net balance is the share of firms seeing positive impact minus the share of firms seeing a negative impact

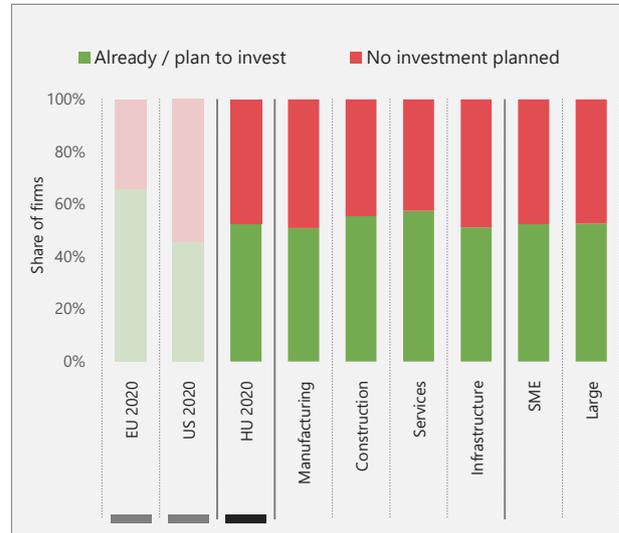
Climate Change

INVESTMENT PLANS TO TACKLE CLIMATE CHANGE IMPACT

About half of firms in Hungary (53%) have already invested or plan to invest in the next three years in measures to tackle the impact of weather events and reduction in carbon emissions. This is well below the EU average (67%).

The pattern of investment is similar across all sectors and sizes of firms.

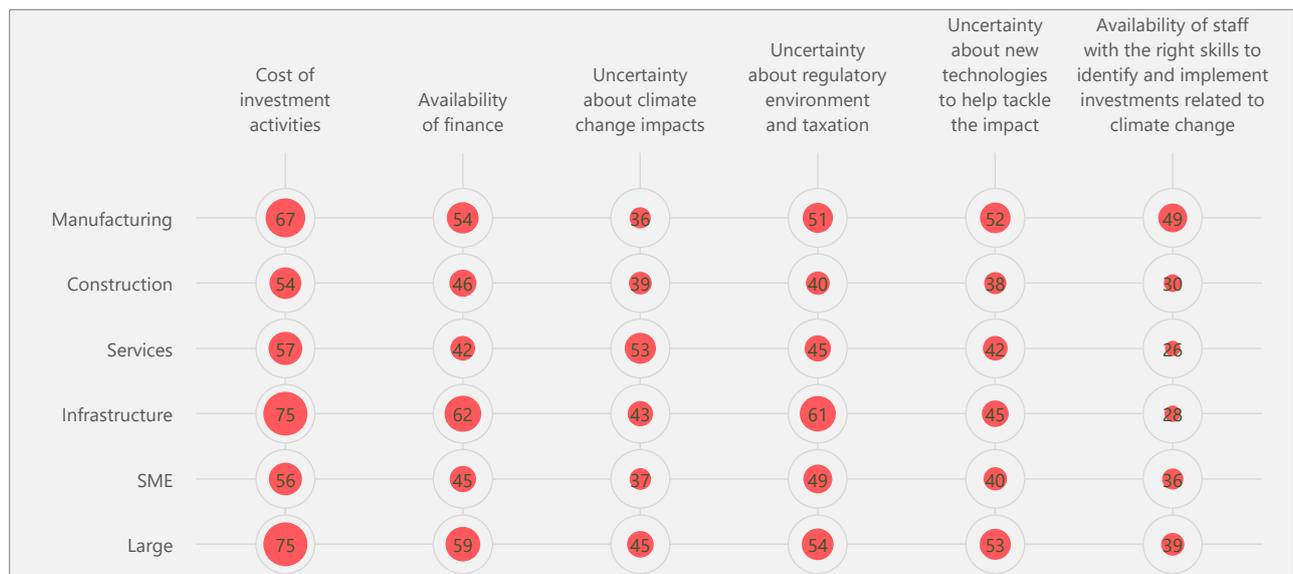
The cost of investment activities (66%) is the most frequently cited barrier to investment in this area. Firms in the infrastructure sector and large firms report this the most (both 75%).



Q. Now thinking about investments to tackle the impacts of weather events and reduction in carbon emissions, which of the following applies?

Base: All firms (excluding don't know/refused responses)

BARRIERS TO INVESTING IN ACTIVITIES TO TACKLE CLIMATE CHANGE BY SECTOR AND SIZE



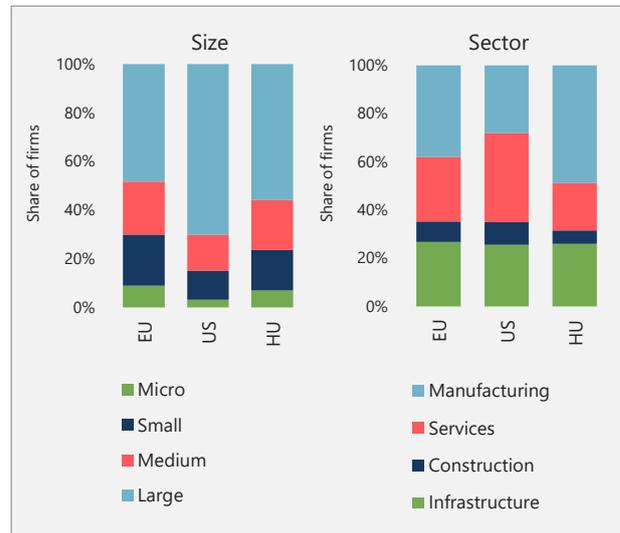
Q. To what extent is the following an obstacle to investing in activities to tackle weather events and emissions reduction? Is it a major obstacle, minor obstacle or not at obstacle at all?

Base: All firms (data not shown for those who said not at obstacle at all / don't know / refused)

Profile of Firms

CONTRIBUTION TO VALUE ADDED

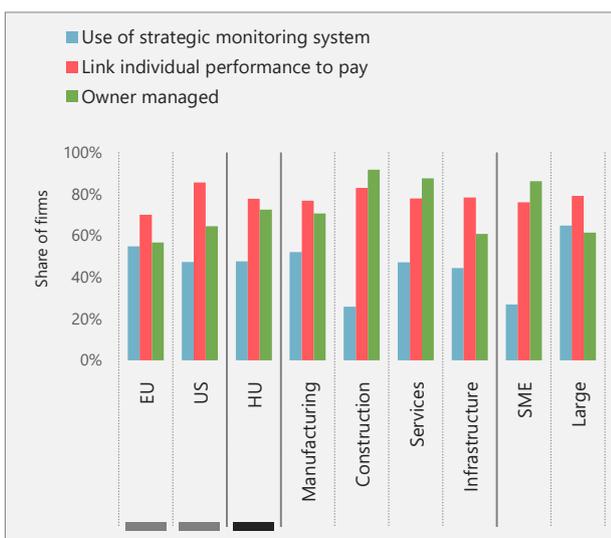
Large firms with 250+ employees (56%) and the manufacturing sector (49%) continue to account for the greatest shares of value-added in Hungary. These proportions are both higher than the EU average (48% and 38% respectively).



The charts reflect the relative contribution to value-added by firms belonging to a particular size class / sector in the population of firms considered. That is, all firms with 5 or more employees active in the sectors covered by the survey. Micro: 5-9 employees; Small: 10-49; Medium: 50-249; Large: 250+

Base: All firms

FIRM MANAGEMENT



About half of firms in Hungary report using a formal strategic monitoring system (48%), similar to the EU average (55%). Construction firms are the least likely to use such a system (26%, compared to between 45% and 52% for firms in the other sectors).

A higher share of firms in Hungary link individual performance to pay compared to the EU average (78% versus 70%). All sectors and sizes of firm have a similar share (between 77% and 83%).

Nearly three-quarters of firms in Hungary (73%) report being owned or controlled by their CEO or a member of the CEO's family, well above the EU average (57%).

Q. And does your company (a) use a formal strategic business monitoring system (that compares the firm's current performance against a series of strategic key performance indicators) (b) link individual performance with pay?
Q. Does the CEO/ company head of your firm own or control the firm, or have a family member that owns/controls it?

Base: All firms (excluding don't know/refused responses)

EIBIS 2020 – Country Technical Details

SAMPLING TOLERANCES APPLICABLE TO PERCENTAGES AT OR NEAR THESE LEVELS

The final data are based on a sample, rather than the entire population of firms in Hungary, so the percentage results are subject to sampling tolerances. These vary with the size of the sample and the percentage figure concerned.

	EU	US	HU	Manufacturing	Construction	Services	Infrastructure	SME	Large	EU vs HU	Manuf vs Constr	SME vs Large
	(11971)	(800)	(481)	(145)	(122)	(110)	(99)	(433)	(48)	(11971 vs 481)	(122 vs 145)	(433 vs 48)
10% or 90%	1.1%	3.5%	4.2%	6.7%	7.0%	7.9%	8.5%	2.6%	7.3%	4.4%	9.6%	7.7%
30% or 70%	1.7%	5.3%	6.5%	10.2%	10.6%	12.1%	12.9%	4.0%	11.2%	6.7%	14.7%	11.8%
50%	1.9%	5.8%	7.1%	11.1%	11.6%	13.2%	14.1%	4.3%	12.2%	7.3%	16.0%	12.9%

GLOSSARY

Investment	A firm is considered to have invested if it spent more than EUR 500 per employee on investment activities with the intention of maintaining or increasing the company's future earnings.
Investment cycle	Based on the expected investment in current financial year compared to last one, and the proportion of firms with a share of investment greater than EUR 500 per employee.
Manufacturing sector	Based on the NACE classification of economic activities, firms in group C (manufacturing).
Construction sector	Based on the NACE classification of economic activities, firms in group F (construction).
Services sector	Based on the NACE classification of economic activities, firms in group G (wholesale and retail trade) and group I (accommodation and food services activities).
Infrastructure sector	Based on the NACE classification of economic activities, firms in groups D and E (utilities), group H (transportation and storage) and group J (information and communication).
SME	Firms with between 5 and 249 employees.
Large firms	Firms with at least 250 employees.
EIBIS 2019	The previous wave of the EIB Investment Survey, with interviews carried out between April-July 2019.
EIBIS 2020	The current wave of the EIB Investment Survey, with interviews carried out between May-August 2020.

Note : the EIBIS 2020 overview refers interchangeably to 'the past/last financial year' or to '2019'. Both refer to results collected in EIBIS 2020, where the question is referring to the past financial year, with the majority of the financial year in 2019 in case the financial year is not overlapping with the calendar year 2019.

EIBIS 2020 – Country Technical Details

The country overview presents selected findings based on telephone interviews with 481 firms in Hungary (carried out between May and August 2020).

BASE SIZES (*Charts with more than one base; due to limited space, only the lowest base is shown)

Base definition and page reference	EU 2020/2019	US 2020/2019	HU 2020/2019	Manufacturing	Construction	Services	Infrastructure	SME	Large
All firms, p. 3, p. 4, p. 6, p. 10, p.11, p. 13, p. 15, p. 16, p. 17, p. 18, p. 19, p. 20	11971/12071	800/803	481/480	145	122	110	99	433	48
All firms (excluding don't know/refused responses), p. 2	11634/11417	748/711	472/461	141	120	108	98	425	47
All firms with investment plans for the current financial year (excluding don't know/refused responses), p. 3 (bottom), p. 4 (top)	9606/NA	643/NA	383/NA	118	95	84	81	338	45
All firms who have invested in the last financial year (excluding don't know/refused responses), p. 5 (top)	10138/9716	682/624	399/349	124	102	88	80	358	41
All firms who have invested in the last financial year (excluding don't know/refused responses), p. 5 (bottom)	9874/9506	683/620	422/380	123	112	98	84	381	41
All firms (excluding 'Company didn't exist three years ago' responses), p. 6	11949/12042	799/802	481/480	145	122	110	99	433	48
All firms (excluding don't know/refused responses), p. 7 (top)	11727/11757	787/775	475/470	143	119	110	98	428	47
All firms (excluding don't know/refused responses), p. 7 (bottom)	11608/0	780/0	460/0	137	117	109	92	413	47
All firms (excluding don't know/refused responses), p. 8 (top)	11720/11770	769/772	474/467	143	120	109	97	426	48
All firms (excluding don't know/refused responses), p. 8 (bottom)	9039/8380	600/516	384/310	116	100	86	77	348	36
All firms (excluding don't know/refused responses), p. 9	11938/11937	799/800	481/479	145	122	110	99	433	48
All firms who have invested in the last financial year (excluding don't know/refused responses), p. 12	9255/9008	648/587	374/361	93	109	90	78	344	30
All firms who used external finance in the last financial year (excluding don't know/ refused responses), p. 12	4354/4369	314/252	182/161	50	52	39	38	167	15
All firms (excluding don't know/refused responses), p. 13	10711/10490	637/605	407/402	118	104	91	89	368	39
All firms who used external finance in the last financial year (excluding don't know/refused responses), p. 14*	4310/4292	314/245	180/166	50	51	38	37	165	15
All firms (excluding don't know/refused responses), p. 18	11898/NA	794/NA	481/NA	145	122	110	99	433	48
All firms (excluding don't know/refused responses), p. 19	11739/NA	772/NA	473/NA	143	122	106	97	429	44
All firms (excluding don't know/refused responses), p. 20*	11740/11627	777/762	473/472	142	121	106	98	428	45



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Hungary

Overview

EIB INVESTMENT SURVEY

2020