



Hungary

Overview

EIB INVESTMENT SURVEY

2022

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EIB Investment Survey Country Overview 2022: Hungary

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About the EIB Investment Survey (EIBIS)

The EIB Group Survey on Investment, which has been administered since 2016, is a unique, annual survey of some 13 000 firms. It covers firms in all European Union Member States and also includes a sample of firms in 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, such as climate change and digital transformation. The EIBIS, which uses a stratified sampling methodology, is representative across all 27 EU Member States 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

These reports provide an overview of data collected for the 27 EU Member States and the United States. They 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 EIB

The mission of the EIB Economics Department is to provide economic analyses and studies to support the Bank in its operations and in the definition of 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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EIBIS 2022 – Hungary Overview

KEY RESULTS

Investment Dynamics and Focus

EIBIS 2022 shows that on average, at the time of interviews (April-July 2022), firms in Hungary were exiting from COVID-19 in a relatively good shape, but new challenges forecast a more muted outlook. While as many firms were investing as in EIBIS 2021 (77% versus 79%), only slightly more firms plan to increase rather than decrease investment (net balance of 4%), a clear decline compared to EIBIS 2021 where this net balance stood at 16%. Both current and planned investment is below the EU average.

Investment Needs and Priorities

Hungarian firms are generally satisfied with their recent investment levels. Over three-quarters (77%) believe they invested the right amount over the past three years with only 15% saying they invested too little. Twice as many Hungarian firms intend to prioritise investment in capacity expansion (45%) as expect to focus on new products/services or replacement (both 23%).

Covid-19 Impact

The pandemic was a major shock for Hungarian firms, but policy support was sizable and helped them to survive and transform. However, the impact was uneven across firms and sectors. Nearly two in five (38%) Hungarian firms were negatively impacted by COVID-19, but 27% expected sales in 2022 to recover to 2019 levels in spite of the decline in sales in 2020-2021.

In line with the EU average of 60%, almost three-fifths of Hungarian firms (58%) received some form of financial support as a response to COVID-19. Over one in ten (14%) are still receiving it.

Firms' Transformation, Innovation and Digitalisation

Possibly helped by the support received, 58% of Hungarian firms have taken at least one action in response to COVID-19 and this matches the EU average (63%). Similar to EU economies, the most frequent response of Hungarian firms has been to become more digital, such as moving to online service provision.

Many Hungarian firms (53%) are using at least one advanced digital technology, but this is lower than the EU average (69%). Compared to the EU average, Hungarian firms are using many technologies to a lesser extent, most noticeably digital platform technologies (16% versus 49%), Big Data/AI (11% versus 29%) and drones (13% versus 23%). The proportion of Hungarian firms investing in innovation (27% versus 34%) and the share classified as active innovators (11% versus 18%) are both lower than the EU average.

International Trade

A large majority of Hungarian firms are facing disruptions linked to international trade (83%), similar to the EU average (87%). Disruption to global logistics (75%) and reduced access to raw materials, services or other inputs (72%) are the main obstacles, of those asked about. Half of Hungary's firms (49%) are taking action to mitigate the impact of these international trade disruptions, but this is below the EU average (57%).

Drivers and Constraints

Hungarian firms are increasingly pessimistic about short-term investment conditions. Economic climate expectations fell sharply (from +31% to -73%) to reach an EIBIS series low for Hungary. Expectations for business sector prospects (-32%) and availability of external finance (-14%) are also at historic lows. The biggest long-term barriers to investment are regard as future uncertainty (71%) and energy costs (69%) with the energy costs figure 46 points above EIBIS 2021. Two-thirds (65%) also regard availability of skilled staff as an obstacle.

EIBIS 2022 – Hungary Overview

Investment Finance

Internal sources finance the biggest share of Hungarian firms' current investment (70%) with 22% coming from external sources, consistently with EIBIS 2021 (27%) and the EU average (28%). The proportion of Hungarian firms that benefitted from external finance is lower than EIBIS 2021 (41% versus 49%). Compared to the EU average, fewer Hungarian firms have been supported by a bank (71% versus 82%), but over twice as many received grants (53% versus 21%). The share of financially constrained firms in Hungary is at historic high levels (12.9%), twice as many as across the EU (6.2%).

Climate Change and Energy Efficiency

The proportion of Hungarian firms facing losses due to climate-related events (51%) is lower than EIBIS 2021 (61%) and the EU average (57%). One in five Hungarian firms (21%) have already developed or invested in measures to build resilience to the physical risks caused by climate change. This is lower than the EU average (33%).

The share of Hungarian firms that regard the transition to stricter climate standards and regulations a risk (23%), is lower than EIBIS 2021 (35%) and the EU average (33%). However, relatively few consider it an opportunity (15%) with most (63%) taking a neutral position. While 88% of Hungarian firms are taking actions to reduce Greenhouse Gas (GHG) emissions, fewer than half (44%) set and monitor targets for their own emissions. Both figures are similar to the EU average (88% and 41% respectively). The main actions being taken are investments in energy efficiency (67%) and renewable energy generation (57%). Both figures exceed the EU average (57% and 37% respectively). The majority of Hungarian firms are also investing in waste minimization and recycling but to a lesser degree than other EU firms (52% versus 64%).

Compared to the EU average, fewer Hungarian firms are investing to tackle the impact of weather events and reduce carbon emissions (43% versus 53%) with planned investment being less prevalent in Hungary than across the EU (40% versus 51%). By contrast, the share of Hungarian firms investing in measures to improve energy efficiency in 2021 (49%) is higher than the EU average (40%).

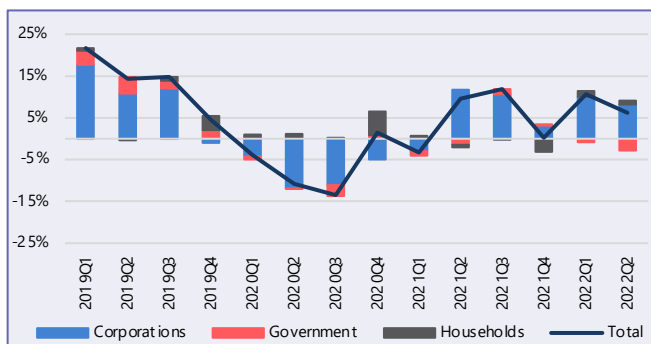
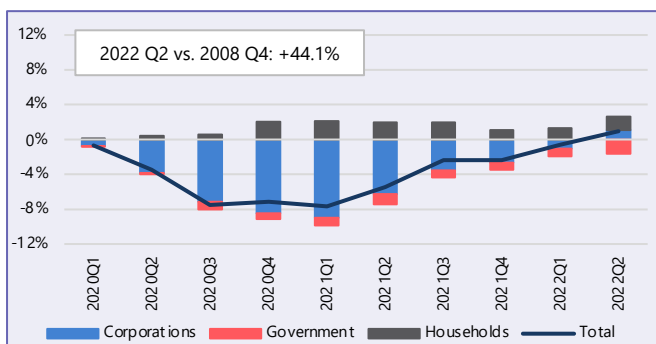
Firm Management, Gender Balance and Employment

Matching the EU average (51%), half of Hungary's firms (50%) use a strategic monitoring system. The proportion of Hungarian firms striving for gender balance in their business (57%) also aligns with the EU average (58%).

Investment dynamics and focus

INVESTMENT DYNAMICS BY INSTITUTIONAL SECTOR

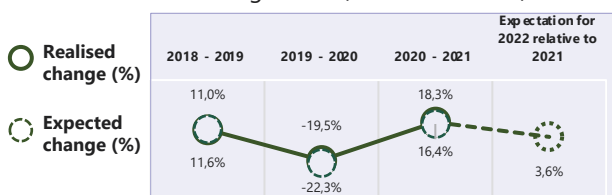
- Aggregate investment fell sharply during the pandemic, having reached its lowest level in Q1 2021 relative to the pre-pandemic level (-7.7%).
- The pandemic period drop in aggregate investment was mainly driven by a strong contraction in corporate investment accompanied by a slight fall in government investment. On the other hand, during the same period, household investment levels increased, particularly in Q4 2020.
- Between Q2 2021 and Q2 2022, aggregate investment levels in Hungary followed an upward trend, with the pre-pandemic level having been reached and surpassed in Q2 2022 (+1% relative to the level in Q4 2019). This recovery was mainly driven by a rebound in corporate investment during this period.



The LHS chart shows the evolution of total gross fixed capital formation (GFCF) by institutional sector, in real terms and non seasonally nor calendar adjusted. The nominal GFCF source data was transformed into four-quarter sums and deflated using the implicit deflator for total GFCF (2015=100 euro). The four-quarter sum of total GFCF in 2019Q4 is normalised to 0. The RHS chart shows the y-o-y % change in total real GFCF by institutional sector. The implicit deflator for total GFCF (2015=100 euro) was used for deflating the nominal GFCF source data. Source: Eurostat, authors' own calculations.

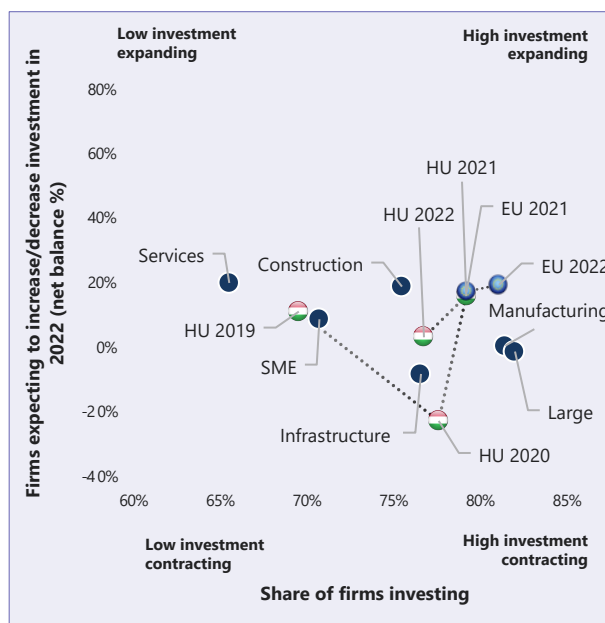
INVESTMENT CYCLE AND EVOLUTION OF INVESTMENT EXPECTATIONS

- The share of Hungarian firms investing in 2021 was similar to 2020, as reported in EIBIS 2021 (77% versus 79%) but the investment outlook has become gloomier (only slightly more firms plan to increase rather than decrease investment now, net balance of 4%, versus 16% in EIBIS 2021). While the share of firms investing is only slightly below the aggregate EU numbers, the investment outlook lags the EU average considerably (4% versus 20%).
- The investment outlook is brightest in services (net balance of 20%), and construction (net balance 19%). Infrastructure firms on the other hand are more likely to decrease than to increase investment (net balance -8%). SMEs (9%) are also more optimistic about investment than large firms (net balance -1%).



'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 for expected and realised change: All firms



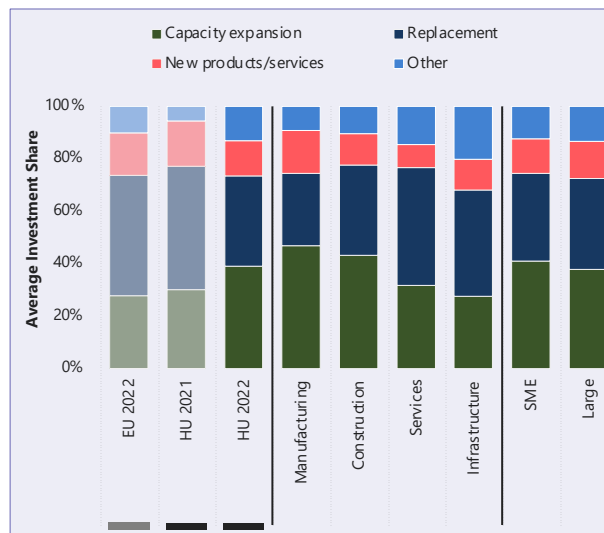
Share of firms investing shows the percentage of firms with investment per employee greater than EUR 500.

Base for share of firms investing: All firms (excluding don't know/refused responses)

Investment dynamics and focus

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

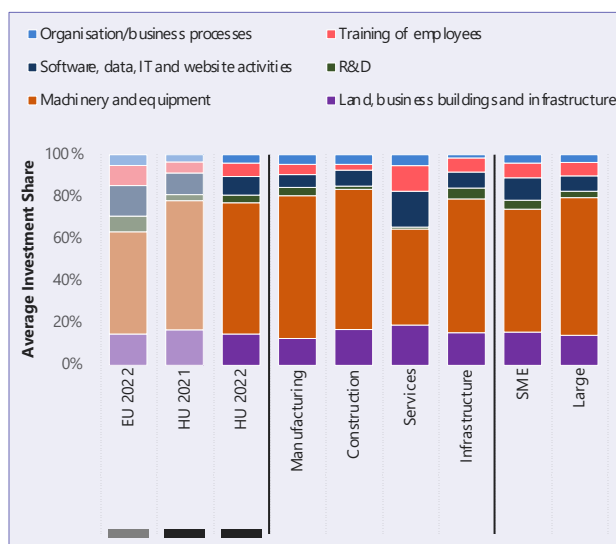
- In broad terms, Hungarian firms' investment is evenly split between capacity expansion (39%) and capacity replacement (34%). A relatively small proportion (14%) is directed towards developing new products/services. Compared to EIBIS 2021 (30%) and the EU average (28%) a larger share of Hungarian firms' investment is focused on capacity expansion (39%).
- Service sector (45%) and infrastructure firms (40%) are directing the largest share of their investment towards replacement. For manufacturers (47%) and construction firms (43%) it is for capacity expansion.
- Based on the distribution of their investments, Hungary's SMEs and large firms are similar.



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



- The single biggest proportion (62%) of Hungarian firms' investment was directed towards machinery and equipment, just as in EIBIS 2021 (61%). Except for services firms (46%), at least 64% of businesses' investment has been in machinery and equipment.
- A quarter (23%) of Hungarian firms' investment was in intangible assets (R&D, software, training and business processes). This is unchanged since EIBIS 2021 (22%) but lower than the EU average (37%).
- The proportion of investment directed towards intangibles by construction firms (17%) is half that seen in services (35%). Intangibles account for a fifth of manufacturers' (20%) and infrastructure firms' investment (21%).
- The investment patterns of SMEs and large firms are broadly similar.

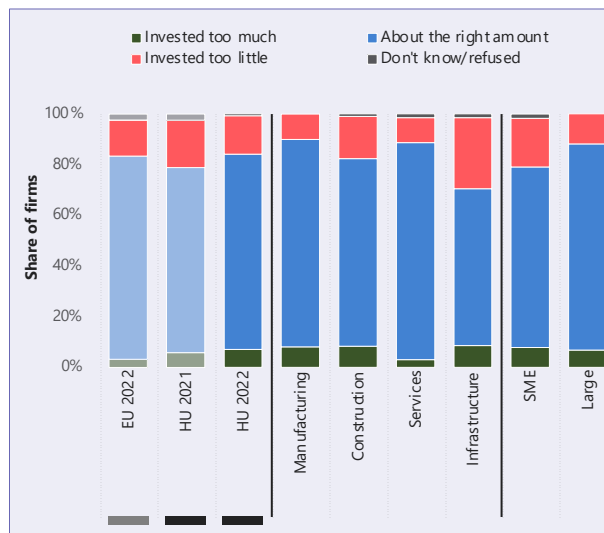
Q. In the last financial year, how much did your business invest in each of the following with the intention of maintaining or increasing your company's future earnings?

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

Investment needs and priorities

PERCEIVED INVESTMENT GAP

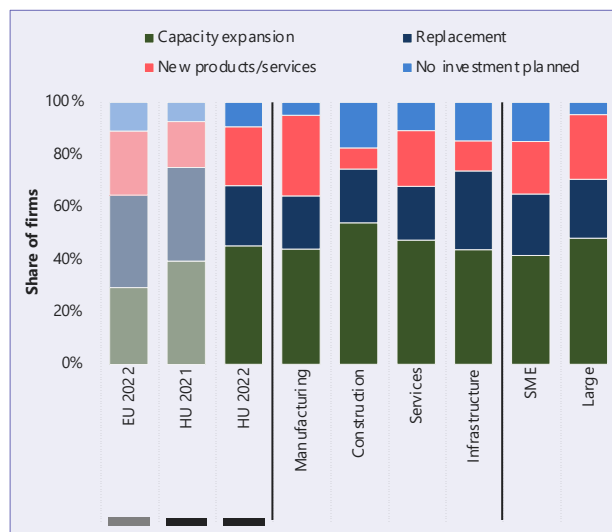
- Over three-quarters of Hungarian firms (77%) believe they invested the right amount over the past three years. Only 15% think they invested too little. The proportion saying they did not invest enough is close to EIBIS 2021 (19%) and to the current EU average (14%).
- Almost three in ten infrastructure firms (28%) feel they invested too little. This is three times the proportion within manufacturing and services (both 10%).
- SMEs are more likely than large firms to say they have invested too little over the past three years (19% versus 12%).



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)

FUTURE INVESTMENT PRIORITIES



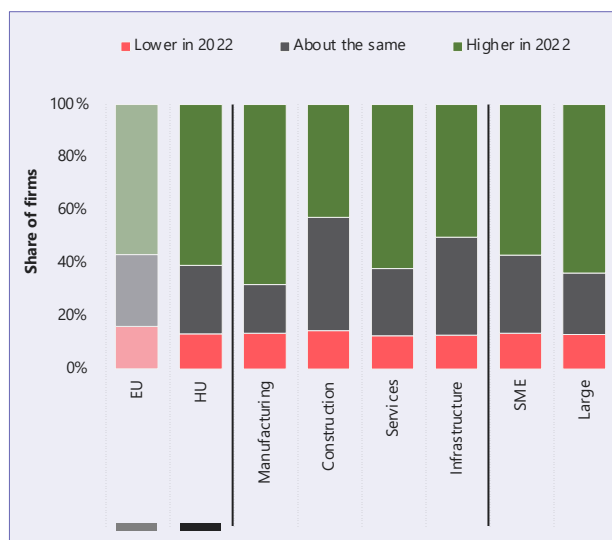
Q. Looking ahead to the next three years, which is your investment priority (a) replacing capacity (including existing buildings, machinery, equipment, IT) (b) expanding capacity for existing products/services (c) developing or introducing new products, processes, services?

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

- Over the next three years, twice as many Hungarian firms will prioritise investment in capacity expansion (45%) than new products/services or replacement (both 23%).
- The proportion of Hungarian firms to prioritise capacity replacement has dropped since EIBIS 2021 (23% versus 36%). The current figure is also below the EU average (35%). Compared to firms across the EU, more of Hungary's firms are focussed on capacity expansion (45% versus 29%).
- Most construction firms (54%) will prioritise capacity expansion over the next three years. Manufacturing (31%) has the largest proportion of firms that intends to prioritise new products/services, while construction firms have the lowest (8%). The construction sector has the highest share of firms who have no investment planned for the next three years (17%).
- Three times as many SMEs (15%) as large firms (5%) have no investment planned but the focus of any investment is broadly similar.

Impact of COVID-19

IMPACT OF COVID-19 ON SALES OR TURNOVER BY END OF 2022 COMPARED TO 2019



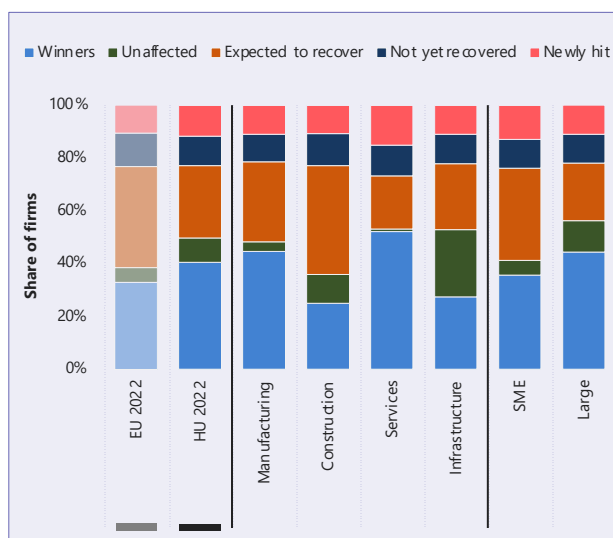
- Six in ten Hungarian firms (61%) expected their 2022 sales to be higher than those achieved in 2019. Relatively few (13%) thought they would be lower. This reflects the general EU outlook (57% and 16% respectively).
- Manufacturing and services firms were the most optimistic that their 2022 sales would exceed those of 2019 (68% and 62% respectively), while construction sector firms were most likely to expect the same sales as in 2019.
- Consistently across all sectors, only 13 or 14% thought sales would be lower than 2019.
- Large firms had slightly higher expectations than SMEs that sales in 2022 would exceed pre-COVID-19 levels (64% versus 57%).

Q. Compared to 2019, do you expect your sales or turnover in 2022 to be higher, lower or about the same?

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

IMPACT ON FIRMS' SALES OR TURNOVER AND EXPECTED RECOVERY

- Nearly two in five (38%) of Hungarian firms were negatively impacted by COVID-19, but 27% expected sales to recover to 2019 levels in 2022.
- Nevertheless, 41% are COVID-19 winners, in that they did not experience a loss of sales or turnover in 2020-21, nor expected a sales loss in 2022 compared to 2019 sales levels. The proportion of COVID-19 'winners' exceeds the EU average (33%).
- The sales outlook varies by sector. Services (52%) and manufacturing firms (45%) are more likely than infrastructure (27%) and construction firms (25%) to be classified as 'winners'.
- The experiences of SMEs and large firms are broadly similar, although there are more reported 'winners' among Hungary's biggest firms (44% versus 36%).



Q. Compared to 2019, before the pandemic started, did your company's sales and turnover in 2020 decline, increase or stay the same?

Q. Compared to 2020, did your company's sales and turnover in 2021 decline, increase or stay the same?

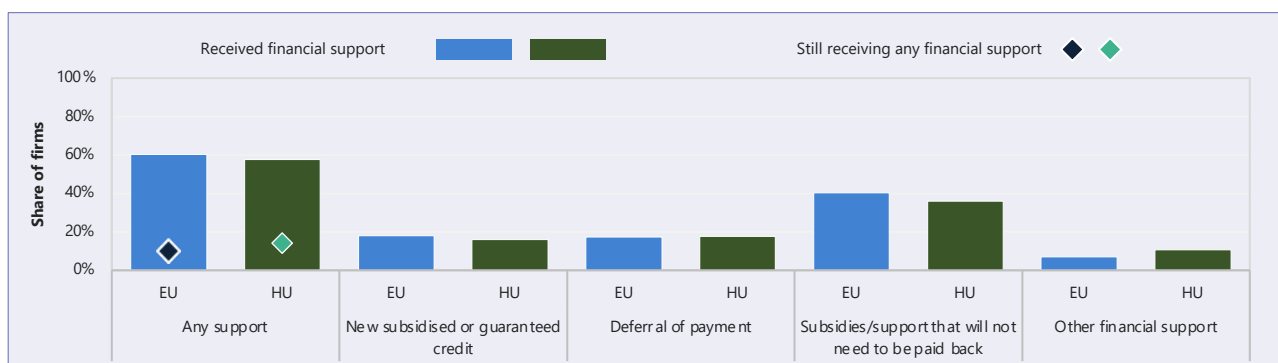
Q. Compared to 2019, do you expect your sales or turnover in 2022 to be higher, lower or about the same?

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

Impact of COVID-19

FINANCIAL SUPPORT RECEIVED IN RESPONSE TO COVID-19

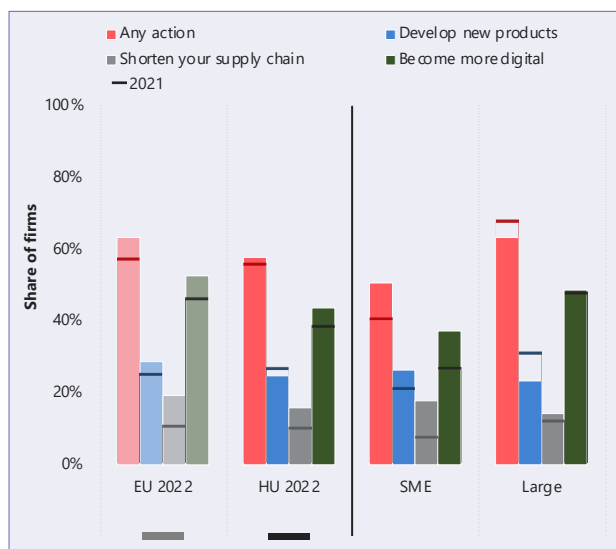
- Almost six in ten Hungarian firms (58%) received some form of financial support as a response to COVID-19, similar to the EU average of 60%. Over one in ten (14%) are still receiving it.
- Over a third of Hungarian firms (36%) were supported by subsidies/support that will not need to be paid back (similar to EU, 40%).
- Compared to the EU average, a similar share of Hungarian firms benefited from deferred payments (18% versus 17%), and subsidised or guaranteed credit (16% versus 18%).



Q. Since the start of the pandemic, have you received any financial support?
Q. Are you still receiving (any of) this financial support?

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

ACTIONS AS A RESULT OF COVID-19



- Nearly six in ten Hungarian firms (58%) say they have taken at least one action in response to COVID-19. The figure is similar to EIBIS 2021 (55%) and the EU average (63%).
- The most frequently taken action or investment is to become more digital, reported by 44% of Hungarian firms. This is a similar level to EIBIS 2021 (38%) but lower than the EU average (53%).
- Large firms are more likely than SMEs to have taken action of some kind (63% versus 51%). In particular, large firms have responded to a greater degree than SMEs by becoming more digital (49% versus 37%).

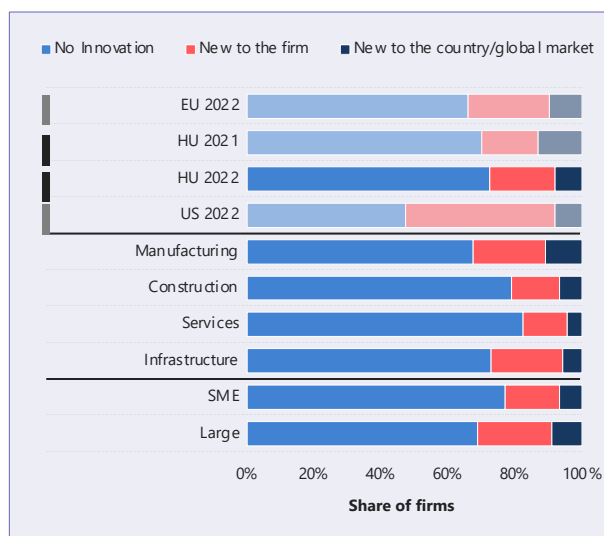
Q. As a response to the COVID-19 pandemic, have you taken any actions or made investments to...?

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

Innovation activities

INNOVATION ACTIVITY

- A quarter (27%) of Hungarian firms developed or introduced new products, processes or services as part of their investment activities. This is similar to EIBIS 2021 (30%) but a little lower than the EU average (34%).
- Hungary's manufacturing sector has the highest proportion of innovating firms (32%), while services (18%) and construction (21%) has the lowest. A larger proportion of large firms than SMEs are making investments in developing or introducing new products, processes or services (31% versus 23%).
- In line with the EU average (10%), about one in ten Hungarian firms (8%) have developed or introduced products, processes or services that were new to either the country or global market. The figure is higher among manufacturing firms (11%) than those in the services (4%) or infrastructure sectors (6%).

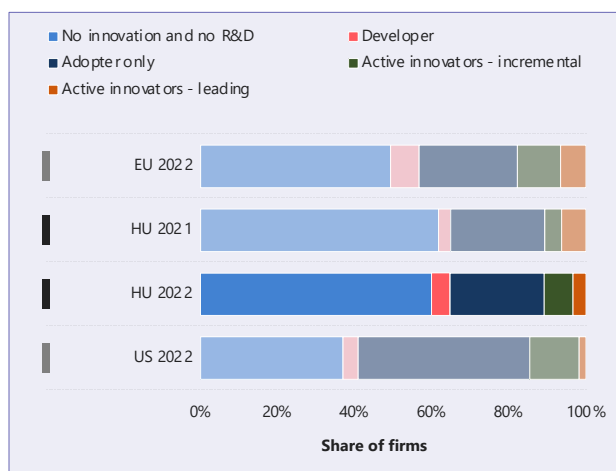


Q. What proportion of total investment was for developing or introducing new products, processes, services?

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)

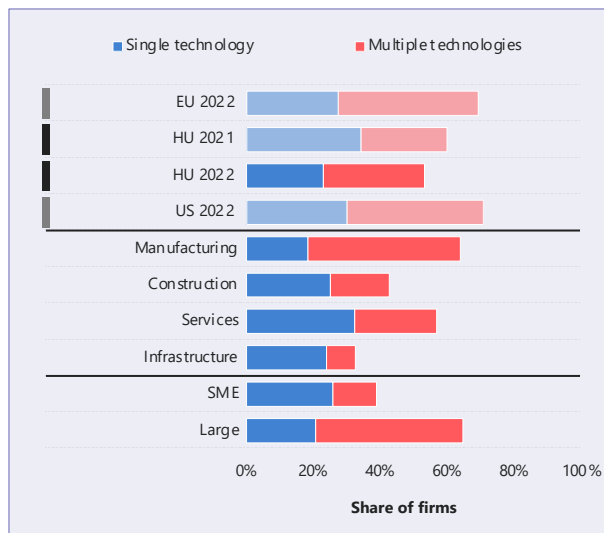
- About one in ten Hungarian firms (11%) can be classified as active innovators — firms that invested significantly in research and development and introduced a new product, process or service. The proportion is the same as in EIBIS 2021 (11%) and much lower than the EU average (18%).
- The proportion of Hungarian firms that did not innovate or invest in R&D in the last financial year (60%) matches EIBIS 2021 (62%) but is higher than either the EU average (49%) or the US (37%).

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

USE OF ADVANCED DIGITAL TECHNOLOGIES

- While a majority of Hungarian firms are using at least one advanced digital technology, this is lower than the EU average (53% versus 69%).
- Manufacturers (64%) and services firms (57%) are more likely to employ at least one digital technology than other sectors.
- Hungary's large firms are far more likely than its SMEs to utilise digital technologies (64% versus 39%). Large firms are also more likely to be embracing multiple digital technologies (44% versus 13%).
- With the exception of augmented or virtual reality, Hungarian firms are using individual technologies to a lesser degree than firms across the EU. In relative terms they are making far less use of digital platform technologies (16% versus 49%), Big Data/AI (11% versus 29%) and drones (13% versus 23%).



EIBIS 2022

Q. To what extent, if at all, are each of the following digital technologies used within your business? Please say if you do not use the technology within your business?

EIBIS 2021

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?

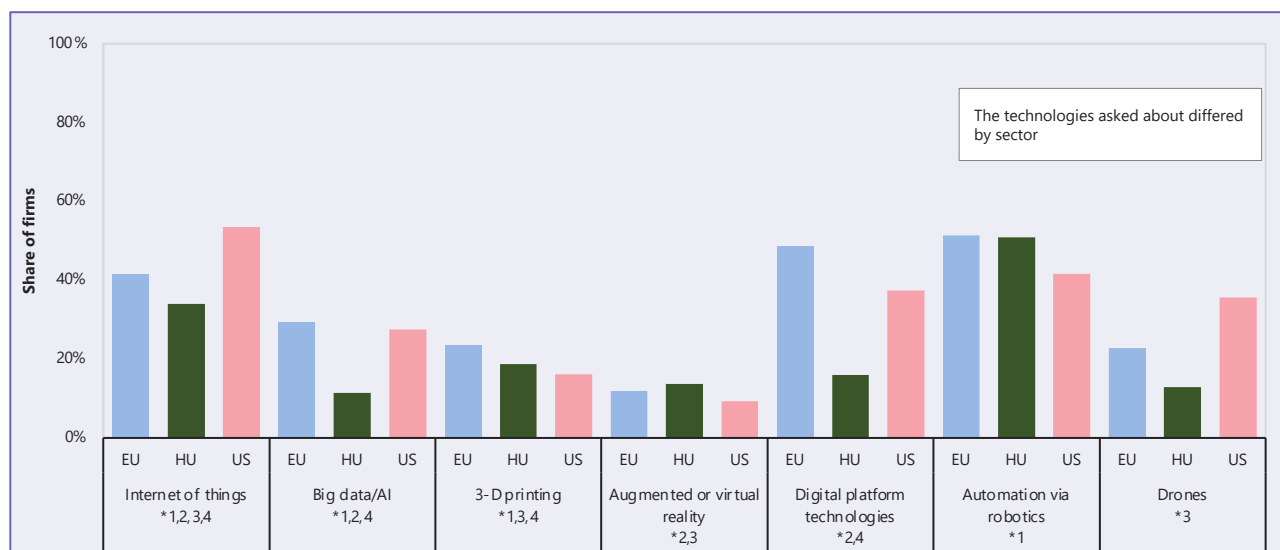
Base: All firms (excluding don't know/refused responses)

Please note: question wording and definitions changed between 2021 and 2022, comparisons between the two waves should not be made.

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

Single technology is where firms have used one of the technologies asked about. Multiple technologies is where firms have used more than one of the technologies asked about

ADVANCED DIGITAL TECHNOLOGIES



* Sector: 1 = Asked of Manufacturing firms, 2 = Asked of Services firms, 3 = Asked of Construction firms, 4 = Asked of Infrastructure firms

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

Q. To what extent, if at all, are each of the following digital technologies used within your business? Please say if you do not use the technology within your business?

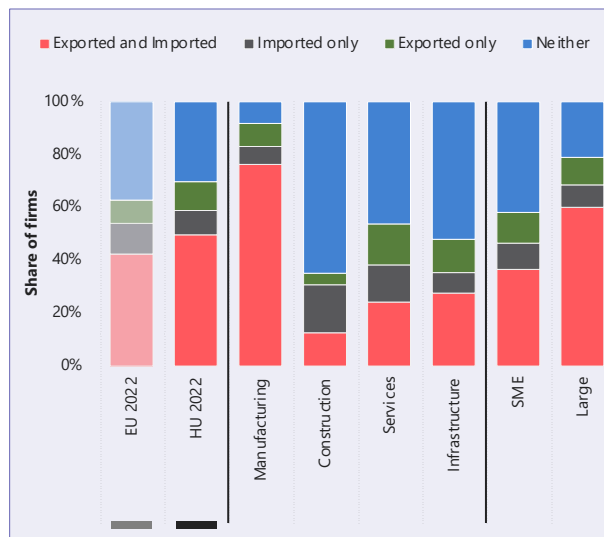
Base: All firms (excluding don't know/refused responses);
Sample size HU: Manufacturing (145); Construction (110); Services (120); Infrastructure (103).

Please note: question wording changed between 2021 and 2022, comparisons between the two waves should not be made.

International trade

ENGAGEMENT IN INTERNATIONAL TRADE

- More Hungarian firms are engaged in international trade than is typical across the EU (70% versus 63%). Manufacturers (92%) are far more likely than construction (35%) or infrastructure firms (48%) to trade outside their home market. Only in manufacturing (85%) do a majority of firms trade.
- A higher proportion of large firms than SMEs are trading internationally (79% versus 58%).

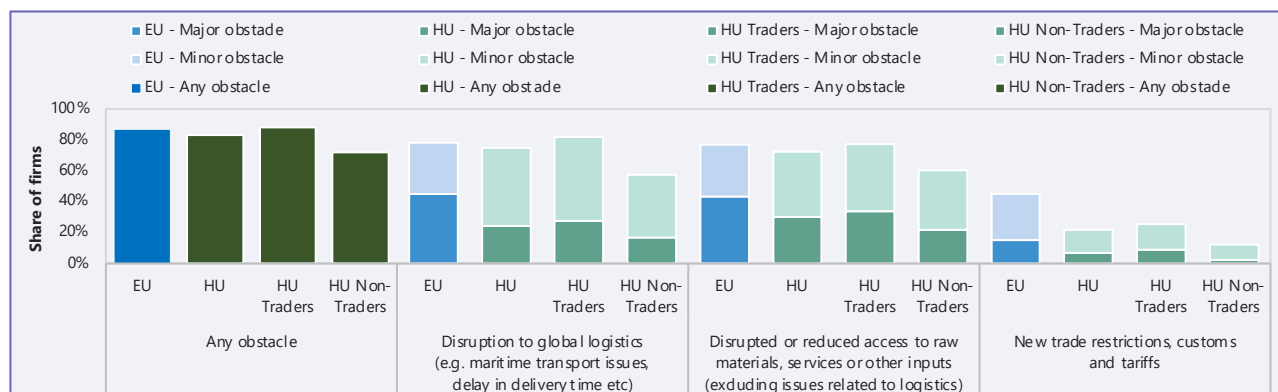


Q. In 2021, did your company export or import goods and/or services?

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

DISRUPTIONS RELATED TO INTERNATIONAL TRADE

- Over eight in ten Hungarian firms face disruptions linked to international trade (83%), similar to the EU average (87%). Firms that do not trade directly are also affected by disruptions, though to a lesser extent than firms that trade (71% vs. 88%).
- Disruption to global logistics (75%) and reduced access to raw materials, services or other inputs (72%) are the main trade-related obstacles.
- Hungarian firms find these disruptions just as problematic as businesses across the EU.
- Relatively few Hungarian firms have found trade restrictions, customs or tariffs an obstacle to their activities (22%), a smaller share than across the EU (45%).



Q. Since 2021, did any of the following present an obstacle to your business's activities?

Any obstacle combines 'minor' and 'major' obstacles into one category

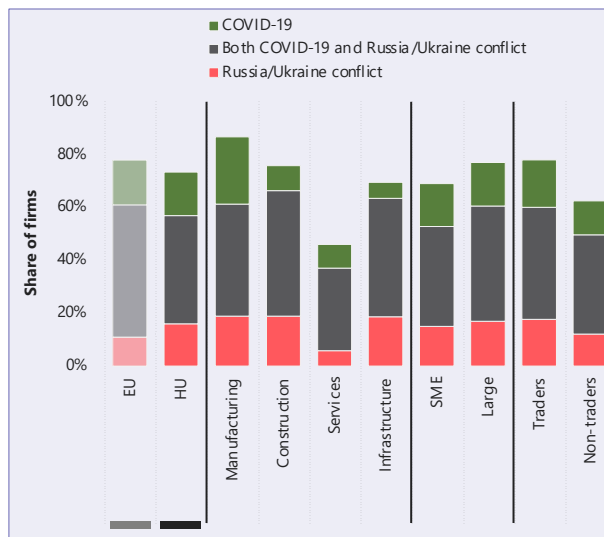
Base: "Any obstacle" - All firms (excluding those who said don't know/refused/not applicable responses to all three international trade obstacles)

Base: Individual obstacles - All firms (excluding those who said don't know/refused/not applicable)

International trade

EXTERNAL FACTORS IMPACTING INTERNATIONAL TRADE

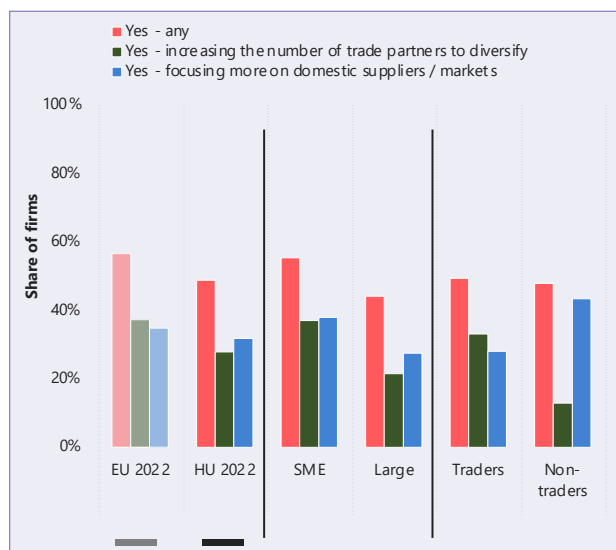
- The international trade disrupting factors asked about in EIBIS have impacted a similar proportion of firms in Hungary as they have across the EU (74% versus 78%). COVID-19 and the Russia-Ukraine conflict have had similar levels of impact.
- Relatively few services firms (46%) have been effected by these external factors. The figure is at least 70% in other sectors, reaching 87% among manufacturers.
- COVID-19 and the Russia-Ukraine conflict have impacted large firms more than SMEs (77% versus 69%), and their effects have been felt by more traders (78%) than non-traders (62%).



Q. You have just said that you experienced (an obstacle/obstacles) to your business activities since 2021. Did Covid-19 and/or the Russia-Ukraine conflict, including the sanctions imposed by the International community, contribute to this in anyway?

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

ACTIONS TO MITIGATE INTERNATIONAL TRADE DISRUPTIONS



- Half of Hungary's firms (49%), who are facing international trade disruptions, are taking action to mitigate their impact. This is lower than the EU average (57%).
- Similar proportions of Hungary's firms are focussing on domestic suppliers or markets (32%), as are increasing or diversifying trading partners (28%). Both figures are below the EU average (35% and 37% respectively).
- In contrast to many countries, Hungary's SMEs have taken more steps than large firms to mitigate the impact of international trade disruptions (56% versus 44% respectively).
- Traders (49%) and non-traders have been equally active (48%). Non-traders are far more focussed on domestic suppliers/markets (43%), than trading partners (13%).

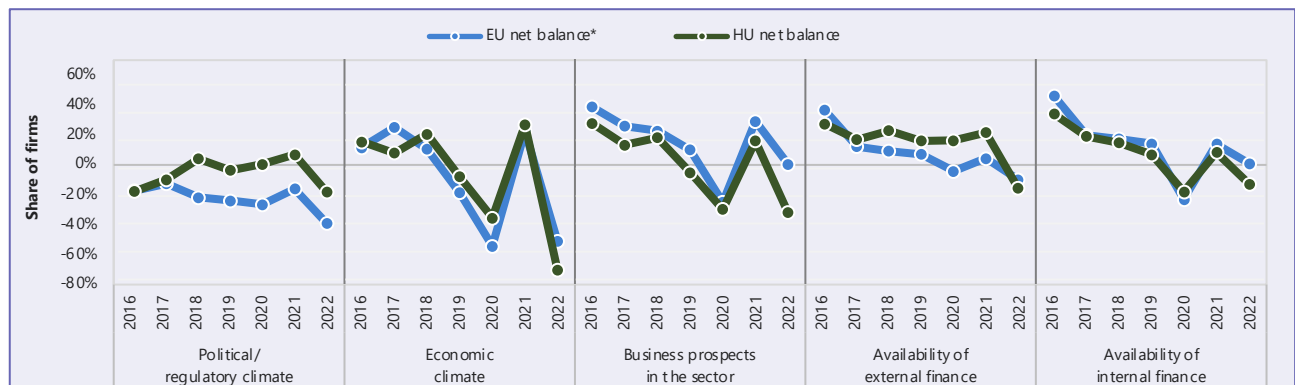
Q. Is your company taking any actions to mitigate the impact of these disruptions?

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

Drivers and constraints

SHORT-TERM FIRM OUTLOOK

- Compared to EIBIS 2021, Hungarian firms are far less optimistic about the investment conditions for the year ahead. Economic climate expectations have deteriorated sharply, from +31% to -73%. The economic climate score is by far the lowest yet recorded in the EIBIS series in Hungary.
- Expectations for business sector prospects (-32%) and availability of external finance (-14%) have also reached historic lows. More Hungarian firms expect the availability of internal finance to get worse rather than better (-11%).
- The downward trend in sentiment reflects the data from the EU as a whole, but except for political climate (-17% versus -40% EU), Hungarian firms are even more pessimistic.



Q. Do you think that each of the following will improve, stay the same, or get worse over the next 12 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 %)

	Political / regulatory climate	Economic climate	Business prospects	External finance	Internal finance
Hungary	17%	73%	32%	14%	11%
Manufacturing	19%	67%	27%	8%	5%
Construction	12%	70%	53%	29%	15%
Services	13%	82%	44%	9%	12%
Infrastructure	18%	80%	27%	28%	22%
SME	18%	62%	39%	26%	8%
Large	16%	82%	26%	6%	14%

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

- More firms expect the short-term outlook to worsen rather than improve on every measure, in every sector and for SMEs and large firms alike.
- The negative balance about the political climate ranges from -12% to -19% across the sectors, while the balance with a negative outlook on short-term economic prospects is at least -62%, at most -82%.
- Construction (-53%) and services firms (-44%) are the most pessimistic about business sector prospects. SMEs' view is even more negative (-39%) than that of large firms (-26%).
- Manufacturers (-8%) and services firms (-9%), are relatively less pessimistic than infrastructure (-28%) or construction (-29%) firms about the short-term availability of external finance. SMEs (-26%) are more pessimistic than large firms (-6%) about this.
- Internal finance is of most concern to infrastructure (-22%) firms, least for manufacturers (-5%).

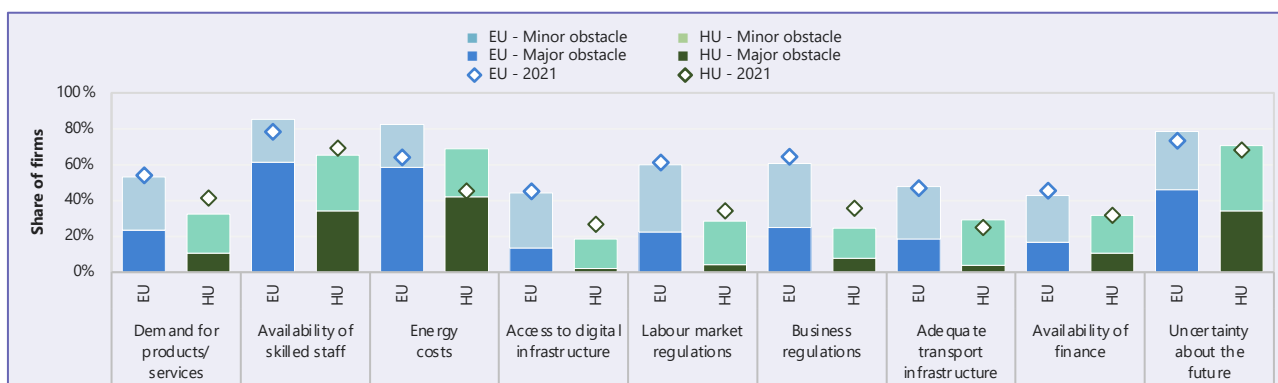
Q. Do you think that each of the following will improve, stay the same, or get worse over the next twelve months?

Base: All firms

Drivers and constraints

LONG-TERM BARRIERS TO INVESTMENT

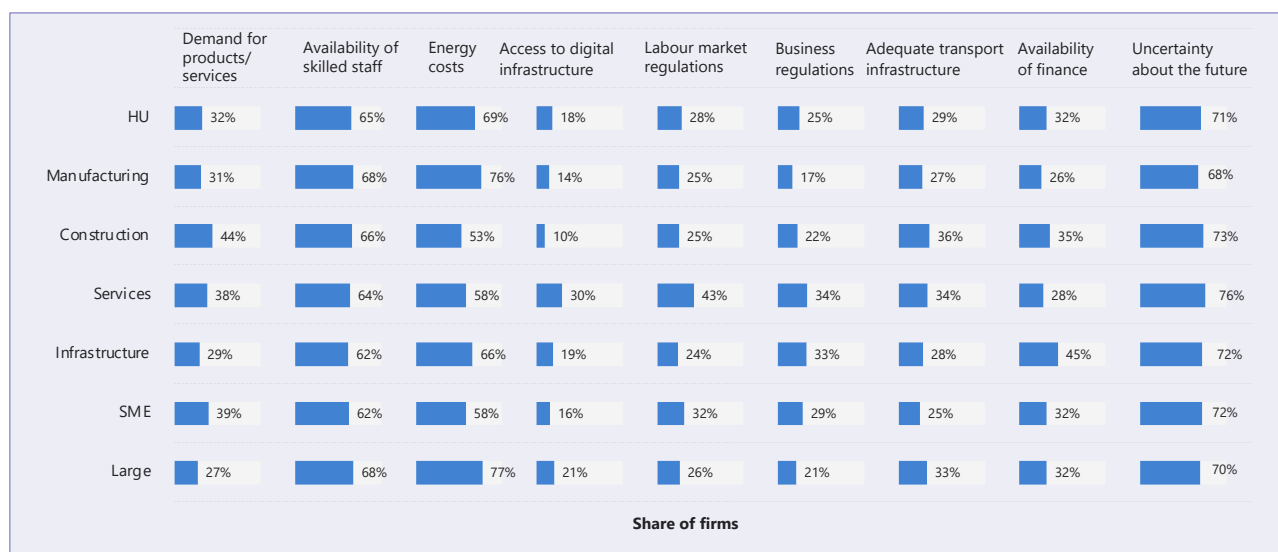
- Uncertainty about the future (71%) and energy costs (69%) are considered the biggest barriers to Hungarian firms' investment activities. The energy costs figure has increased from 46% in EIBIS 2021.
- Two-thirds of Hungarian firms (65%) also consider availability of skilled staff as an obstacle to investment.
- Fewer saw business regulations as a barrier compared to EIBIS 2021 (25% versus 36%).
- On every factor, the proportion of Hungarian firms saying it obstructs investment is lower than the EU average. In relative terms, business regulations and access to digital infrastructure are far less obstructive to Hungarian firms than those across the EU.



Q. Thinking about your investment activities, 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



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

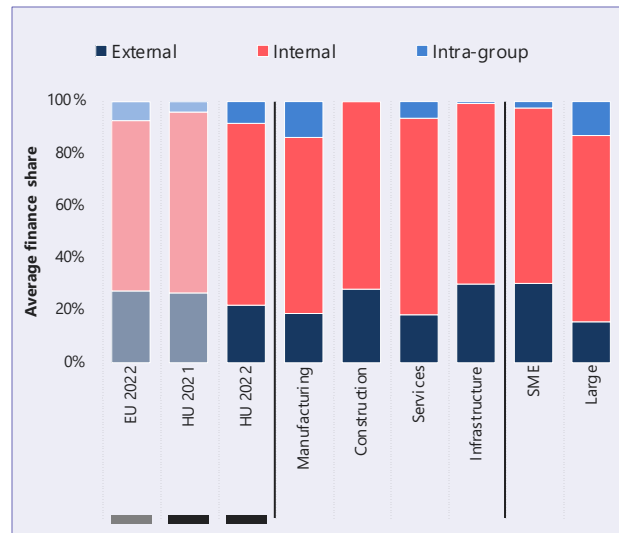
Q. Thinking about your investment activities, to what extent is each of the following an obstacle? Is it a major obstacle, a minor obstacle or not an obstacle at all?

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

Access to finance

SOURCE OF INVESTMENT FINANCE

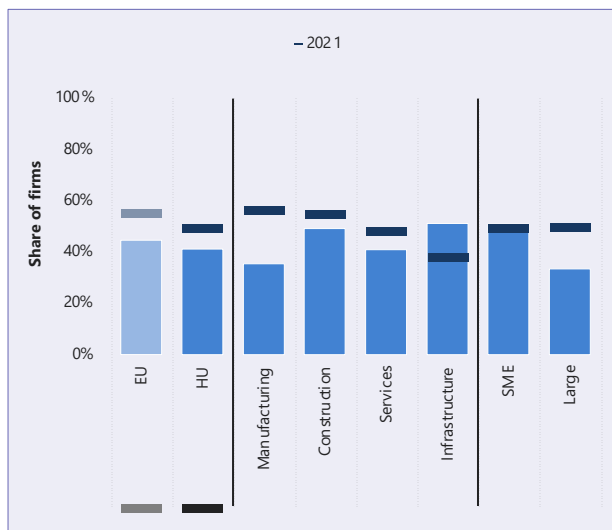
- As in EIBIS 2021 (69%), internal sources finance currently the large majority of Hungarian firms' investment (70%). The proportion of investment financed from external sources is broadly consistent with EIBIS 2021 (22% versus 27%) and the EU average (28%).
- In every sector at least 67% of investment is financed from internal sources. Services firms are most reliant on their own internal resources with 75% of investment funded through this channel.
- SMEs finance slightly more of their investment via external sources than large firms (30% versus 16% respectively) and less via intra-group sources (2% vs 13%).



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)

USE OF EXTERNAL FINANCE



- Two-fifths of Hungarian firms that invested in the last financial year funded at least some of this using external finance (41%). Reflecting the overall EU situation (falling from 55% to 45%), the proportion of Hungarian firms using external finance has dropped since EIBIS 2021 (from 49% to 41%).
- About half of infrastructure (51%) and construction firms (49%) have accessed external finance. This compares to a much lower proportion of manufacturing firms (36%).
- Infrastructure is the only sector where the share of firms using external finance has increased (from 38% to 51%) compared to EIBIS 2021.
- The drop in the use external finance was more prevalent among large firms and those in the manufacturing sector.

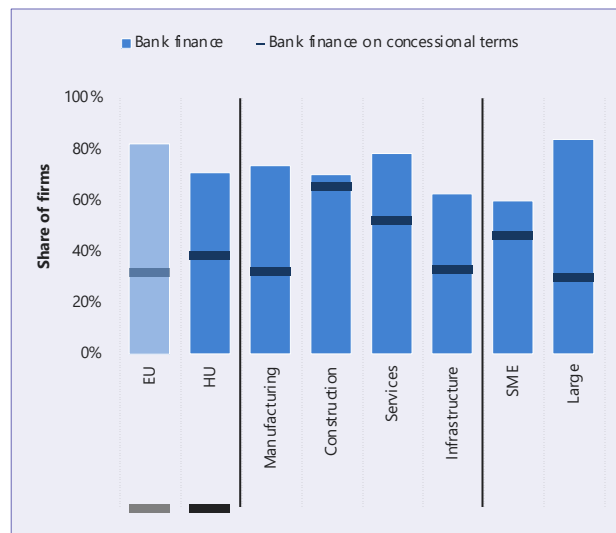
Q. Approximately what proportion of your investment in the last financial year was financed by each of the following

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

Access to finance

ACCESS TO BANK FINANCE AND CONDITIONS

- Seven in ten Hungarian firms (71%) accessing external finance received funding from a bank, with 39% obtaining it on concessional terms. Compared to the EU average, fewer Hungarian firms have been supported by a bank when obtaining external finance (71% versus 82%).
- Services firms (79%) are the most likely to have received bank finance, and infrastructure firms the least (63%). Construction firms were most likely to be benefitting from bank finance on concessional terms (66%).
- SMEs are less likely than large firms to have received external finance from a bank (60% versus 84% respectively). However, SMEs are more likely to have obtained bank finance on concessional terms.

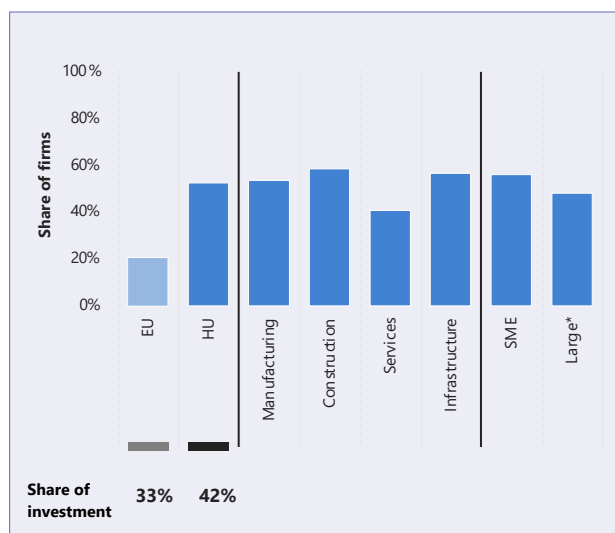


Q. Which of the following types of external finance did you use for your investment activities in the last financial year?

Q. Was any of the bank finance you received on concessional terms (e.g. subsidised interest rates, longer grace period to make debt payments)?

Base: All firms who used external finance (excluding don't know/refused responses)

SHARE OF FIRMS WITH FINANCE FROM GRANTS



- Over twice as many Hungarian firms as the EU average received external finance in the form of grants (53% versus 21%).
- Grant financing was the least common among services firms (41%).
- A similar proportion of SMEs and large firms that accessed external finance received some it in the form of grants (55% versus 48%).
- Among firms that received grants, 42% of their overall investment was financed by grants.

Q. What proportion of your total investment in your last financial year was financed by grants?

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

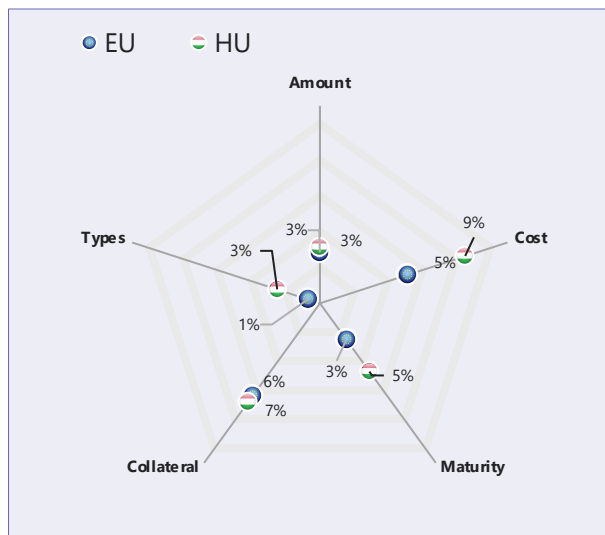
Base: All firms that received grants (excluding don't know/refused responses)

* Caution base size <30

Access to finance

DISSATISFACTION WITH EXTERNAL FINANCE RECEIVED (% of firms)

- Very few Hungarian firms are dissatisfied with the external finance they received. Most common dissatisfaction is expressed about costs (9%) and collateral requirements (7%), and maturity (5%). Nevertheless, the findings are generally similar to those across the EU.



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 (% of firms)

	Amount	Cost	Maturity	Collateral	Type
HU	3%	9%	5%	7%	3%
Manufacturing	2%	13%	9%	12%	3%
Construction	7%	4%	2%	5%	4%
Services	6%	7%	3%	7%	3%
Infrastructure	3%	4%	0%	0%	1%
SME	6%	9%	2%	6%	5%
Large	0%	8%	8%	8%	0%

- Dissatisfaction levels are generally low across all sectors and size classes, but among manufacturers it reaches double figures for the cost (13%), and collateral requirements attached (12%).
- Otherwise dissatisfaction is very low in all cases, and especially within infrastructure where no dissatisfaction was expressed with the maturity period or collateral requirements. Elsewhere, among large firms there was zero dissatisfaction with the amount and type of external finance received.

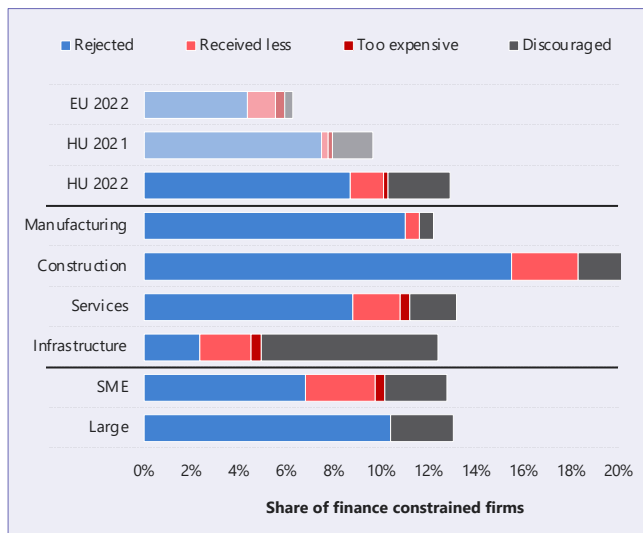
Q. How satisfied or dissatisfied are you with ...?

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

Access to finance

SHARE OF FINANCE CONSTRAINED FIRMS

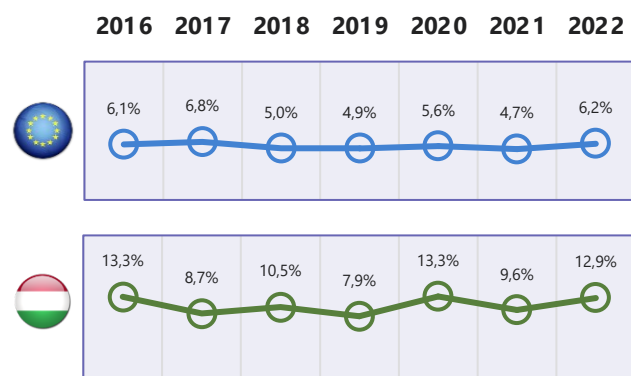
- The share of financially constrained firms in Hungary (12.9%) is above EIBIS 2021 (9.6%) and over double the EU average (6.2%).
- Firms in the construction sector (20.1%) are the most finance constrained. Otherwise the share of firms ranges from 12.2% to 13.2% in every sector.
- Most common reason for financial constraint is rejection, accounts for most of Hungary's financially constrained firms (8.7%), similarly to firms in the EU. An exception is the infrastructure sector, where most of the constraint consists of discouragement (7.4%)
- A similar proportion of SMEs (12.7%) and large firms (13.0%) are finance constrained.



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 (excluding don't know/refused responses)

SHARE OF FINANCE CONSTRAINED FIRMS OVER TIME



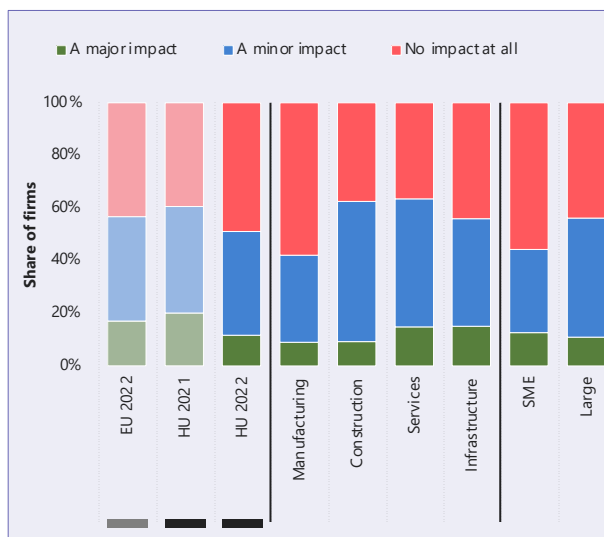
- The proportion of Hungarian firms that are finance constrained (12.9%) is close to the highest level previously seen in the EIBIS series (13.3%).
- The proportion of finance constrained firms in Hungary has always been larger than the EU average. For the third year in a row it is more than double the EU average (12.9% versus 6.2%).

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

Climate change and energy efficiency

IMPACT OF CLIMATE CHANGE – PHYSICAL RISK

- The proportion of Hungarian firms facing climate-related losses (51%) is lower than both EIBIS 2021 (61%), and the EU average (57%). The proportion saying weather events are having a major impact has dropped from 20% to 12%.
- Perceived impact is highest among services (64%) and construction firms (62%) and is lowest among manufacturers, where 42% believe they face losses as a result of climate related events.
- Large firms (56%) are more inclined than SMEs (44%) to say climate events have led to physical losses for their business.

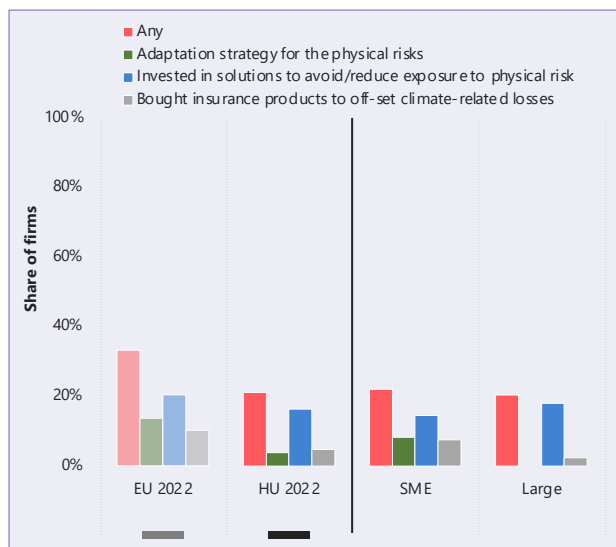


Q. Thinking about the impact of climate change on your company, such as losses due to extreme climate events, including droughts, flooding, wildfires or storms or changes in weather patterns due to progressively increasing temperature and rainfall. What is the impact, also called physical risk, of this on your company?

Please note: question wording changed between 2021 and 2022. Comparisons should be treated with caution.

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

BUILDING RESILIENCE TO PHYSICAL RISK



- One in five Hungarian firms (21%) have already developed or invested in measures to build resilience to the physical risks caused by climate change. This is lower than the EU average (33%).
- Hungarian firms are far more likely to have responded by investing in solutions to avoid or reduce exposure to physical risk (16%), than to have adapted their strategy (4%), or bought relevant insurance (5%). The 'strategy adaption' figure is much lower than the EU average (4% versus 14%).
- Hungary's SMEs (22%) and large firms (20%) are equally as likely to have developed or invested in measures to build resilience to physical risk. However, no large firms are adapting their strategy.

Q. Has your company developed or invested in any of the following measures to build resilience to the physical risks to your company caused by climate change?

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

Climate change and energy efficiency

IMPACT OF CLIMATE CHANGE – RISKS ASSOCIATED WITH THE TRANSITION TO A NET ZERO EMISSION ECONOMY OVER THE NEXT FIVE YEARS

- More Hungarian firms regard the transition to stricter climate standards and regulations as a risk (23%) than consider it an opportunity (15%). Compared to EIBIS 2021 the proportion of firms that take a neutral position has increased (45% to 63%), against the decrease in the share that considers it a risk.
- Only in manufacturing do more firms regard this transition as an opportunity (20%) rather than a risk (14%). Construction and infrastructure firms are the most skeptical with the balance of opinion weighted towards those firms that consider the transition as a risk (39% and 34% respectively).
- While similar proportions of SMEs and large firms regard the transition to stricter climate standards and regulations as an opportunity (14% versus 15%), twice as many SMEs consider it a risk (32% versus 16%).

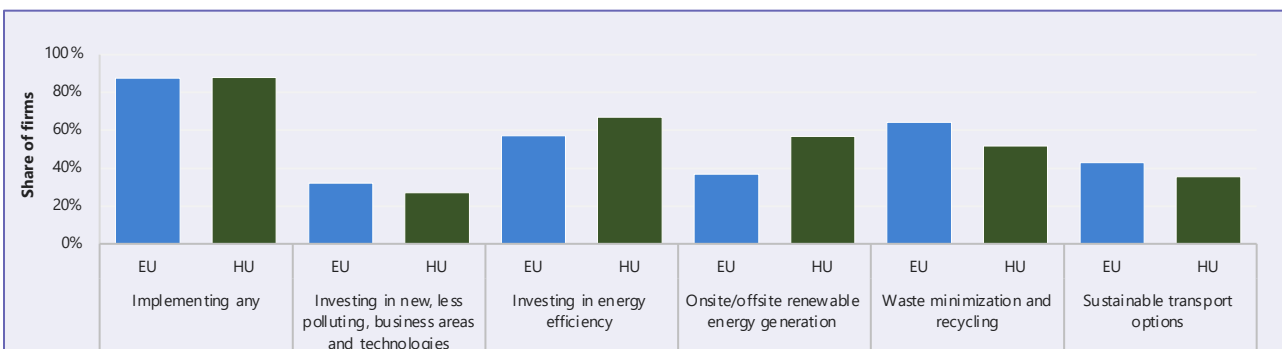


Q. Thinking about your company, what impact do you expect this transition to stricter climate standards and regulations will have on your company over the next five years?

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

ACTIONS TO REDUCE GHG EMISSIONS

- 88% of Hungarian firms are taking actions to reduce Greenhouse Gas (GHG) Emissions, similar to the EU average.
- The main actions being taken in Hungary are investment in energy efficiency (67%) and renewable energy generation (57%). Both figures exceed the EU average (57% and 37% respectively).
- A half of Hungarian firms are also investing in waste minimization and recycling but to a lesser degree than EU firms (52% versus 64%). The proportion investing in sustainable transport options 35% versus 43%) and less polluting business areas or technologies 27% versus 32%) is also below the EU average.



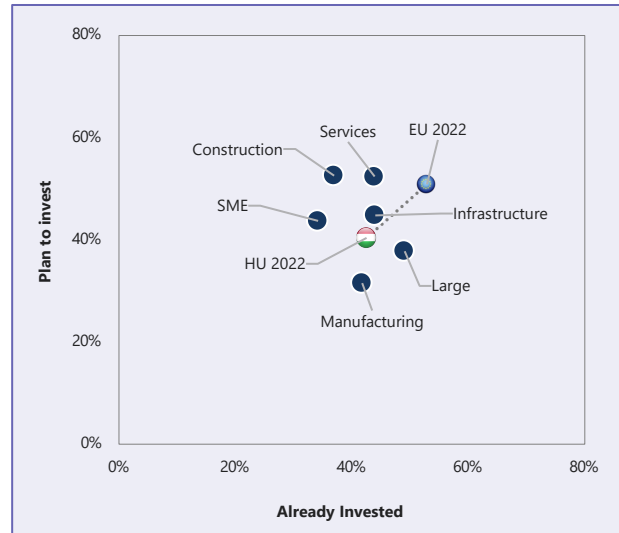
Q. Is your company investing or implementing any of the following, to reduce Greenhouse Gas (GHG) emissions?

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

Climate change and energy efficiency

INVESTMENT PLANS TO TACKLE CLIMATE CHANGE IMPACT

- Hungarian firms are less likely to have invested in tackling the impacts of weather events and reducing carbon emissions than the EU average (43% versus 53%). Also, they are less likely to have plans to invest in the next three years (40% versus 51%).
- A half of construction (53%) and services firms (52%) have relevant investment planned, but only a third of manufacturers (32%) expect to invest in tackling the impacts of weather events and reducing carbon emissions.
- Fewer SMEs have already invested (34% vs 49) versus than large firms, but planned investment is higher among small firms (44% vs 38%).



EIBIS 2021

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

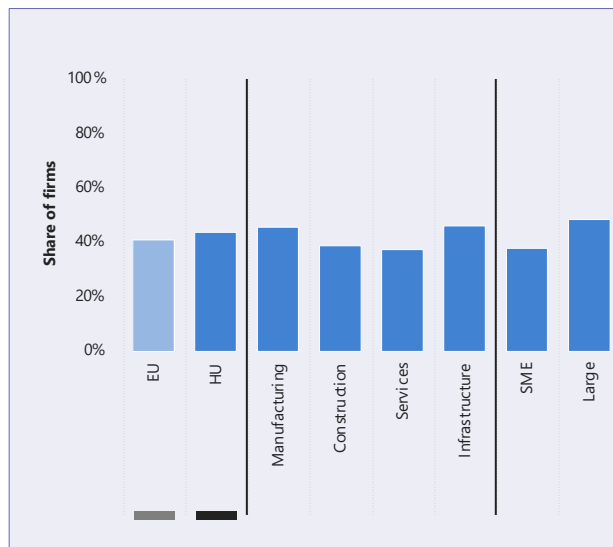
EIBIS 2022

Q. Which of the following applies to your company regarding investments to tackle the impacts of weather events and to help reduce carbon emissions?

Please note: question change and an additional answer option was included in 2022, this may have influenced the data. Treat comparison to previous waves with caution.

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

CLIMATE CHANGE TARGETS FOR OWN GREENHOUSE GAS (GHG) EMISSIONS



- Less than half of the Hungarian firms (44%) set and monitor targets for their own GHG emissions. This is similar to the proportion seen across the EU (41%).
- Hungary's infrastructure and manufacturing firms (both 46%) have the highest shares of firms likely to set and monitor GHG emissions targets.
- Large firms are more likely than SMEs to set and monitor targets for their own GHG emissions (48% and 38% respectively).

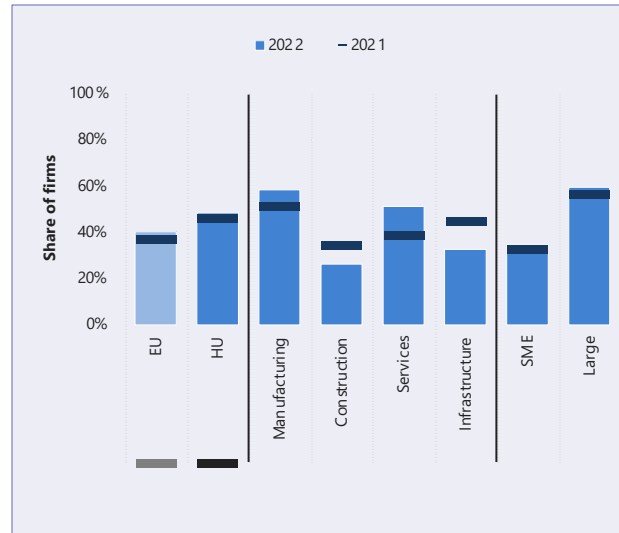
Q. Does your company... set and monitor targets for its own Greenhouse Gas (GHG) emissions

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

Climate change and energy efficiency

SHARE OF FIRMS INVESTING IN MEASURES TO IMPROVE ENERGY EFFICIENCY

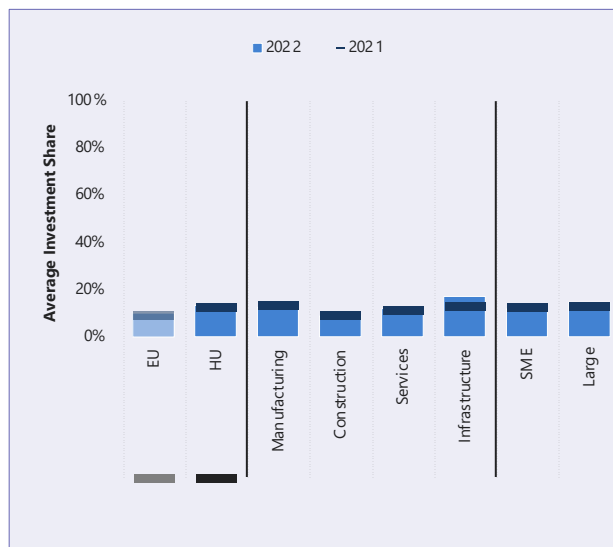
- The share of Hungarian firms investing in measures to improve energy efficiency (49%) is similar to EIBIS 2021 (46%) and remains above the EU average (40%).
- Having increased since EIBIS 2021, Hungary's manufacturing (59%) and service sectors (51%) have the highest proportion of businesses investing in energy efficiency. Infrastructure (33%) and construction firms (26%) are the less likely to be investing in energy efficiency initiatives than before.
- Large firms (60%) are more likely than SMEs (35%) to be investing in energy efficiency, with both figures in line with EIBIS 2021.



Q. What proportion of the 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



- Hungarian firms direct 14% of investment towards improving energy efficiency. This is in line with both EIBIS 2021 (13%) and the current EU average (10%).
- Infrastructure firms (17%) are directing the largest proportion of investment towards energy efficiency, construction firms (9%) the least.
- A similar proportion of SMEs and large firms' investment focuses on energy efficiency (12% and 15% respectively).
- In all sectors and groups the proportion of investment broadly matches EIBIS 2021.

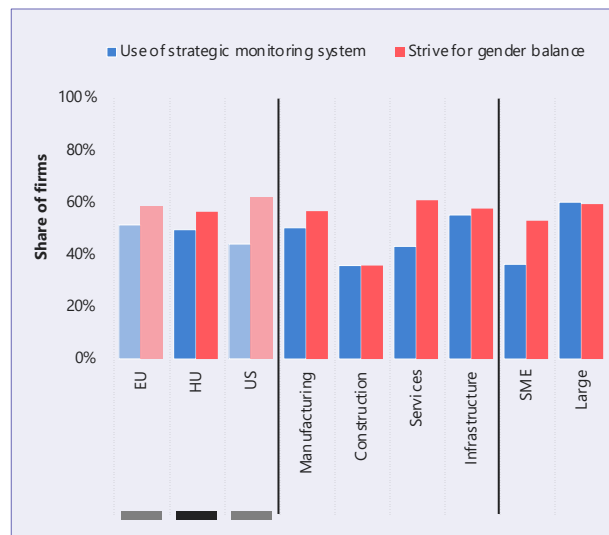
Q. What proportion of the total investment in the last financial year was primarily for measures to improve energy efficiency in your organisation?

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

Firm management, gender balance and employment

FIRM MANAGEMENT AND GENDER BALANCE

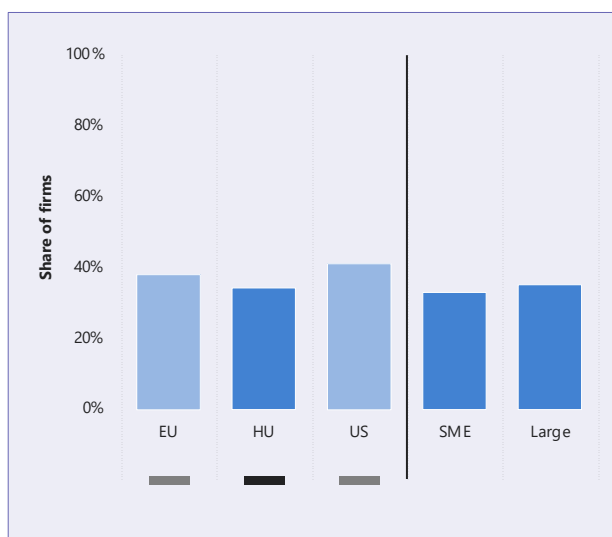
- Just like EU firms, half of firms in Hungary (50%) use a strategic monitoring system. This is slightly above the US (44%).
- The proportion of Hungarian firms striving for gender balance within their business (57%) also aligns with the EU average (58%) and is similar to the US (62%).
- Strategic monitoring systems are more common among infrastructure (55%) and manufacturing (50%) firms, fewer services (43%) or construction firms (36%) have them in place them.
- Large firms are far more likely than SMEs to be utilising strategic monitoring systems (60% versus 36%) while both groups are working similarly towards gender balance (60% versus 53%).



Q Does your company...?

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

FIRMS WHO HAVE INCREASED EMPLOYEE NUMBERS SINCE 2019



- Just over a third of Hungarian firms (34%) have increased their employee numbers since 2019. This is slightly below the EU average (38%) and the US (41%).
- SMEs (33%) and large firms (35%) have increased employee numbers since 2019.

Q. How many people does your company employ either full or part time at all its locations, including yourself?

Q. How many people did your company employ either full or part time at all its locations at the beginning of 2019, before the COVID-19 pandemic?

Base: All firms (excluding don't know/refused/did not exist in 2019 responses)

EIBIS 2022 – 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
	(12021)	(800)	(480)	(145)	(110)	(120)	(103)	(433)	(47)	(12021 vs 480)	(145 vs 110)	(433 vs 47)
10% or 90%	1.1%	4.1%	4.2%	6.6%	6.0%	7.8%	8.3%	2.5%	7.3%	4.3%	8.9%	7.7%
30% or 70%	1.7%	6.2%	6.4%	10.2%	9.2%	11.9%	12.7%	3.9%	11.1%	6.6%	13.6%	11.7%
50%	1.8%	6.8%	7.0%	11.1%	10.0%	13.0%	13.9%	4.2%	12.1%	7.2%	14.9%	12.8%

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.

Note: the EIBIS 2022 country overview refers interchangeably to 'the past/last financial year' or to '2021'. Both refer to results collected in EIBIS 2022, where the question is referring to the past financial year, with the majority of the financial year in 2021 in case the financial year is not overlapping with the calendar year 2021.

EIBIS 2022 – Country technical details

The country overview presents selected findings based on telephone interviews with 480 firms in Hungary (carried out between April and July 2022).

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

Base definition and page reference	EU 2022/2021	US 2022	HU 2022/2021	Manufacturing	Construction	Services	Infrastructure	SME	Large
All firms, p. 3, p.12, p.13, p. 21 (top)	12021/11920	800	480/481	145	110	120	103	433	47
All firms who have invested in the last financial year (excluding don't know/refused responses), p. 4 (top)	9704/9670	668	371/378	121	80	94	74	333	38
All firms who have invested in the last financial year (excluding don't know/refused responses), p. 4 (bottom)	9501/9523	668	381/402	118	85	96	80	341	40
All firms (excluding 'Company didn't exist three years ago' responses), p. 5 (top)	11735/11648	778	477/481	144	110	119	102	430	47
All firms (excluding don't know/refused responses), p. 5 (bottom)	11814/11765	780	471/476	141	108	118	102	426	45
All firms (excluding don't know/refused responses), p. 6 (top)	11810/NA	795	474/NA	145	108	117	102	427	47
All firms (excluding don't know/refused responses), p. 6 (bottom)	11725/NA	784	466/NA	142	108	116	98	420	46
All firms (excluding don't know/refused responses), p. 7 (top)	11945/11857	762	474/478	145	110	117	100	429	45
All firms (excluding don't know/refused responses), p. 7 (bottom)	11989/11891	796	477/481	145	109	119	102	430	47
All firms (excluding don't know/refused responses), p. 8 (top)	11735/11648	778	477/481	144	110	119	102	430	47
All firms (excluding not applicable/don't know/refused responses to all 3 questions), p. 8 (bottom)	8728/8780	615	351/365	112	78	88	71	314	37
All firms (excluding don't know/refused responses), p. 9	11980/NA	800	480/NA	145	110	120	103	433	47
All firms (excluding don't know/refused responses), p. 10 (top)	11975/NA	798	479/NA	144	110	120	103	432	47
All firms (excluding those who said don't know/refused/not applicable responses to all three international trade obstacles) p. 10 (bottom)	11382/NA	790	462/NA	142	106	118	94	418	44
All firms (excluding don't know/refused responses), p. 11 (top)	9339/NA	680	363/NA	127	90	84	62	326	37
All firms facing trade disruptions (excluding don't know/refused responses), p. 11 (bottom)	9265/NA	707	359/NA	124	90	83	62	321	38
All firms who have invested in the last financial year (excluding don't know/refused responses), p. 14	10051/8675	665	396/360	126	89	101	78	356	40
All firms who used external finance (excluding don't know/ refused responses), p. 15 (top)	4107/4059	275	191/175	56	47	47	40	178	13
All firms who used external finance (excluding don't know and refused) p. 15 (bottom)	4155/4100	280	194/175	57	47	48	41	181	13
All firms that received grants (excluding don't know/refused responses) p. 15 (bottom)	925/NA	NA	105/NA	NA	NA	NA	NA	NA	NA
All firms who used external finance in the last financial year (excluding don't know/refused responses) , p. 16	3988/3964	270	184/170	54	43	44	40	171	13
All firms (excluding don't know/refused responses), p. 17	11504/11518	715	469/466	142	108	118	99	427	42
All firms (excluding don't know/refused responses), p. 18 (top)	11911/11849	790	474/480	144	107	119	102	427	47
All firms (excluding don't know/refused responses), p. 18 (bottom)	11909/NA	784	475/NA	143	109	120	101	431	44
All firms (excluding don't know/refused responses), p. 19 (top)	11172/11384	759	401/455	121	89	103	87	359	42
All firms (excluding don't know/refused responses), p. 19 (bottom)	11964/NA	794	477/NA	143	110	120	102	430	47
All firms (excluding don't know/refused responses), p. 20 (top)	11685/NA	763	467/NA	139	107	118	101	421	46
All firms (excluding don't know/refused responses), p. 20 (bottom)	11712/NA	783	466/NA	139	109	115	101	421	45
All firms who have invested in the last financial year (excluding don't know/refused responses), p. 21 (bottom)*	9752/9617	677	383/394	121	86	99	75	345	38
All firms (excluding don't know/refused responses) p. 22 (top)	11696/11616	785	464/463	137	108	117	100	420	44
All firms (excluding don't know/refused/did not exist in 2019 responses) p. 22 (bottom)	11662/11718	783	471/476	143	110	116	100	426	45



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Hungary

Overview

EIB INVESTMENT SURVEY

2022