

Promoting SME competitiveness in Hungary

Strengthening the capacities of SMEs
for inclusive economic growth



MINISTRY OF
FOREIGN AFFAIRS AND TRADE
OF HUNGARY



Hungarian
National
Trading House



International
Trade
Centre



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SMEs are the key to Inclusive Growth

Small and medium-sized enterprises are the lifeblood of all economies. In Hungary, they account for 99.8% of all enterprises, 70% of employment and 58% of value-added.

Small and medium-sized enterprises (SMEs) are the lifeblood of all economies. After the introduction of market reforms in the early 1990s, the number of SMEs in Hungary exploded, roughly doubling within five years (1991-1996). However, the SME sector was hit hard by the financial crisis in 2008. SMEs' share of value added and employment declined by 10%, and has yet to recover to its pre-crisis strength. This matters, as today SMEs account for 99.8% of all enterprises, 70% of employment and 58% of value added.¹

SMEs play a key role in society. Globally, they tend to employ a large share of the most vulnerable segments of the workforce, namely less experienced and less educated workers belonging to poorer households, women and young people.² Raising the competitiveness of SMEs could help reduce youth unemployment and increase the number of women in work, which currently sits at 62% for women compared to 75% for men.³

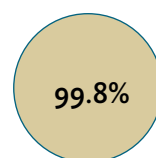
Over half of Hungary's SMEs operate in the services sector, with the largest number in professional services, information and communication, and administrative and support services. In terms of trade, 17% of SMEs export an estimated €3.4 billion to the European Union (EU) annually, accounting for 28% of exports to the bloc.⁴

One of the priority goals of Hungarian diplomacy is to support the export activities of SMEs. Enabling SMEs to enter and compete in international markets will boost their competitiveness and help Hungary forge links with new trading partners.

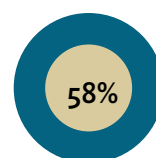
Minister of Foreign Affairs and Trade, Péter Szijjártó

How can Hungary help the SME sector recover? The International Trade Centre (ITC), in partnership with the Hungarian National Trading House, conducted the SME Competitiveness benchmarking survey to identify the major factors constraining SME competitiveness. This brochure presents the key findings using ITC's comprehensive competitiveness framework.

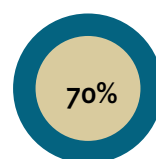
Hungary's SMEs in four numbers. SMEs account for:



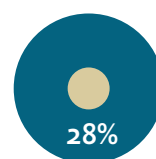
of all enterprises



of value-added



of employment



of exports to the EU

1. OECD Labour Force Statistics 2016.

2. ITC, 2015, SME Competitiveness Outlook; www.intracen.org/SMEOutlook

3. Small Business Act, EU, 2016.

4. Small Business Act, EU, 2016



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Collecting high quality data is essential

The Hungarian National Trading House

Hungarian enterprises produce high quality products and services in a range of industries, offering excellent value for money at globally competitive prices. The aim of the Hungarian National Trading House, established by the Ministry of Foreign Affairs and Trade and the Hungarian Chamber of Commerce and Industry as a state export development institution, is to support these enterprises in their search for business partners and new clients in international markets. The Trading House recently expanded its commercial presence to almost 50 countries and now operates in four continents.

SMEs are a key focus area. The trading house helps innovative SMEs enter international markets by offering a single point-of-contact service to support their journey to becoming established exporters. To better

understand the constraints their members face, the Hungarian National Trading House collaborated with ITC to collect in-depth enterprise data using the SME Competitiveness Survey.¹

123 in-depth enterprise competitiveness surveys

The Hungarian National Trading House conducted 123 face-to-face enterprise surveys, each lasting about 90 minutes. Enterprises were surveyed from all parts of the country. The trading house targets its services on nine priority sectors. The survey focused on three of these: the agriculture and food industry, the electronics industry and the information communications technology (ICT) sector.

1. SME Competitiveness Benchmarking: www.intracen.org/SMEBenchmarking

Distribution of surveys across Hungary

Regions	Freq.	Percent	Cum.
Central Hungary	44	35.8	35.8
Central Transdanubia	9	7.3%	43.1
Northern Great Plain	16	13%	56.1
Northern Hungary	6	4.9%	61
Southern Great Plain	24	19.5%	80.5
Southern Transdanubia	11	8.9%	89.4
Western Transdanubia	13	10.5%	100
Total	123	100.00	

The Hungarian National Trading House

- Founded in 2013
- Operational in almost 50 countries across 4 continents
- Facilitated 3727 business opportunities to date
- Participated in 231 trade fairs



flickr (CC)– Jan van der Crabben, *Danubian Vineyards at Dawn*

Agriculture and food industry

Hungary has some of the most fertile land in Europe. A favourable climate combined with the use of cutting-edge technologies enables farms to achieve high yields and produce high quality goods. Hungary is best known for its production of staple products such as wheat, corn and barley, but it also produces a range of less known products such as paprika, sugar and medicinal plants. Food processing standards are also high due to rigorous national control requirements. As a result, there is strong international demand for Hungary's agriculture products.

Hungary has a population of 9.8 million people, but the country's agricultural output is capable of feeding approximately 30 million people.

Source: Hungarian Agriculture: The Potential of Tradition & Innovation

In partnership with ITC, the Hungarian National Trading House conducted in-depth competitiveness surveys on 22 agriculture enterprises to identify their strengths and weaknesses. Although not intended to be representative of the sector as whole, the survey results can help inform policymakers on the types of bottlenecks enterprises in the sector are currently facing.

Hungary's agriculture enterprises are efficient

The enterprises surveyed all scored well on ITC's Compete dimension. Nearly 90% of enterprises reported being able to meet the demand coming from clients, and the average capacity utilization was a respectable 68%. Furthermore, all had good record keeping systems in place. In terms of the business ecosystem, access to electricity, fuel and water were all highly rated, with over 67% of enterprises surveyed reporting having good or excellent access to these resources.

The quality of logistics companies is high, but they are costly to use

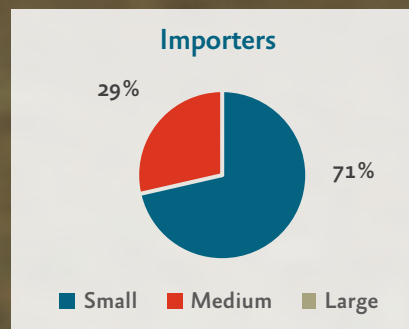
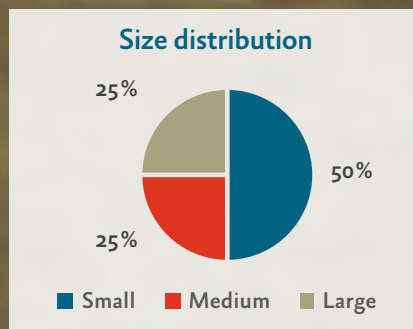
Fulfilling your client's time requirements is key to retaining clients and building your business. According to the enterprises surveyed, 84% of the goods dispatched to clients arrived on time. Enterprises in the agriculture sector have stringent time requirements. Thus, reliable logistics services companies is of paramount importance to the competitiveness of the sector. Seventy-six percent of the enterprises surveyed rated the logistics companies they used as good or excellent. However, 53% of the enterprises also indicated that the cost of using such companies was high.

Hungary's certification bodies are highly regarded, but enterprises find certification expensive

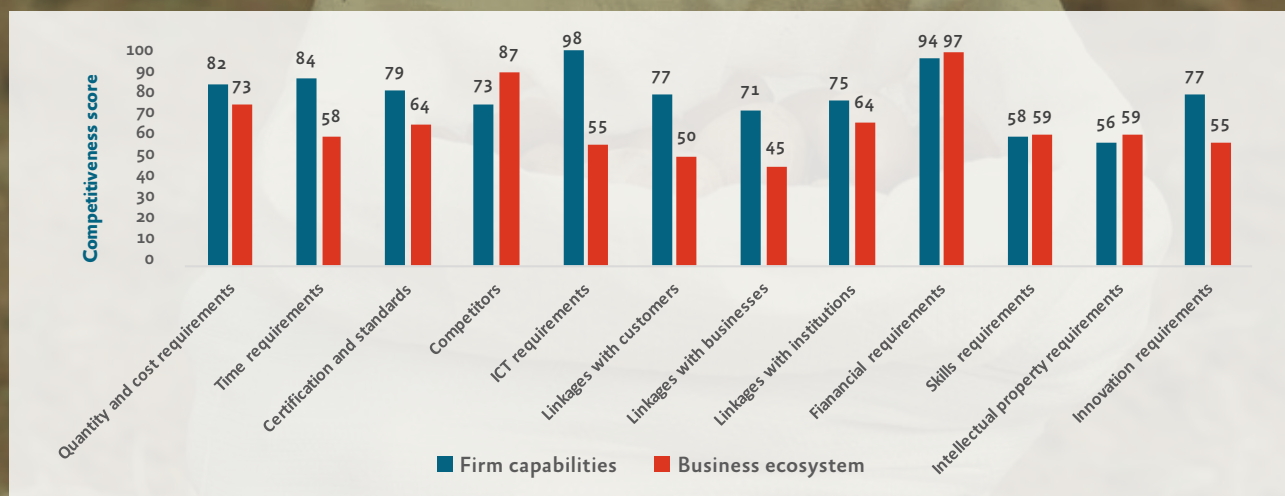
The importance of a food safety system that is rigorous and strictly adhered to in the production of agricultural products cannot be overstated. Requirements to sell into international markets are often tougher. Seventy-one per cent of the enterprises surveyed own an internationally recognized quality certificate for their main product. In addition, over 90% of enterprises reported that the availability of information on standards and certification was satisfactory or better. In terms of the business ecosystem, certification authorities received a high rating, but 61% of enterprises complained that certification was too expensive.

Agriculture and Food Industry

Key sector statistics



Benchmarking results



Top 3 areas firms require capacity building

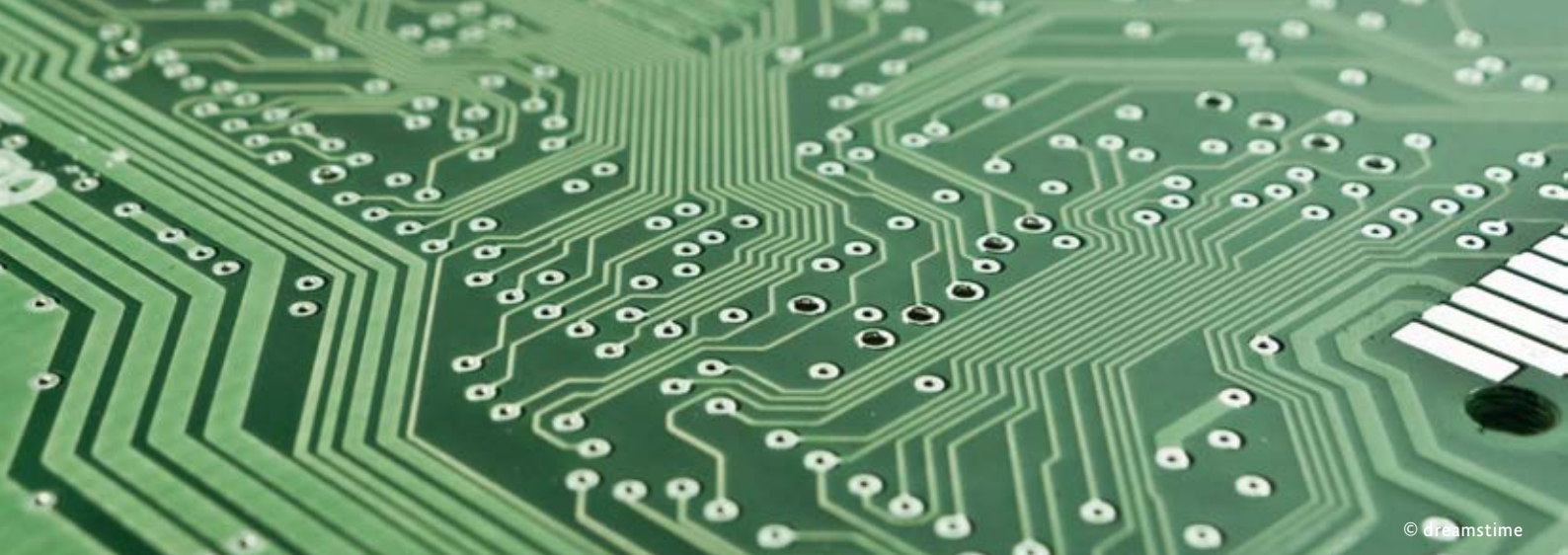
Indicator	
1. Percent of firms with training programmes	30
2. Cluster co-operation rating	31
3. Percent of firms holding patents	41

* Scores are out of 100. The higher the score the better

Top 3 business ecosystem constraints

Indicator	
1. Cost of advertising rating	11
2. Cost of patent registration institutions rating	16
3. Cost of logistics companies rating	27

Note: Statistics are based on 22 in depth competitiveness surveys
Source: ITC's SME Competitiveness Database



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Electronics industry

Hungary's electronics industry has grown rapidly over the last 15 years. The electronics industry is one of the largest industrial sectors in Hungary accounting for 11% of total manufacturing production, and Hungary accounts for 34% of Central and Eastern Europe's output in the sector.¹ In particular, the sector is on the leading edge of innovation and manufacturing of medical devices, automotive electronics, and nano-electronics. Partly for these reasons, in 2008, EU ministers chose Budapest to host the headquarters of the European Institute of Innovation and Technology.

The electronics industry accounts for 11% of Hungary's industrial base.

Source: National Central Statistical Office, Hungary, 2017

In partnership with ITC, the Hungarian National Trading House conducted in-depth competitiveness surveys on 27 electronics manufacturing enterprises to identify their strengths and weaknesses. Although not intended to be representative of the sector as a whole, the survey results can help inform policymakers on the types of bottlenecks enterprises in the sector are currently facing.

Stronger clusters would increase competitiveness

Sector associations play a pivotal role in marketing the expertise of their members to potential customers and investors. Effective sector associations can help establish business-friendly ecosystems, which in time evolve into global hubs. In the electronics industry, only 35% of enterprises reported being in regular contact with sector associations, and those that were gave these associations a quality rating of 52 out of 100. In addition, only 37% of enterprises rated the cost of working with sector associations as low.

As a result, clusters are weak despite the existence of many competitive electronics companies in Hungary, clusters are weak. Information exchange and cooperation is low, with less than 20% of enterprises working with other enterprises in their sector to solve common sector-wide problems.

Upgrading is common, but stronger links to research networks would help

Long-term enterprise competitiveness relies on innovation. Encouragingly, 89% of the enterprises surveyed in the electronics sector reported having improved their products or processes in the last three years. Despite this, only 37% of enterprises reported committing significant amounts of resources to research and development. Enterprises in the industry could stand to gain from stronger linkages with research networks. Only 33% reported being strongly connected to such networks, which are key to keeping abreast of the latest technological developments.

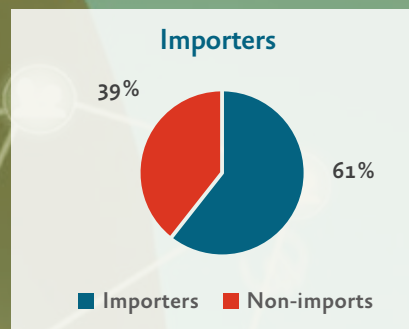
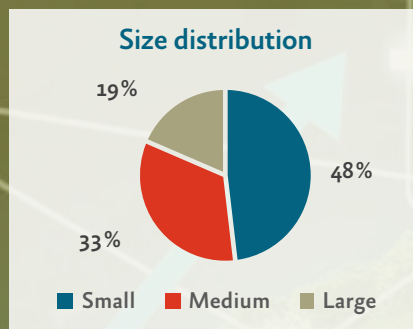
Few enterprises hold patents

Patents reward innovation. According to the World Economic Forum, Hungary generates 25 patents per million people, placing it in the top 30 countries in the world for this indicator. Enterprises report having a good understanding of intellectual property (IP) procedures, and don't view IP regulations as a burden. In terms of patent institutions, the quality of the services rendered received a score of 80 out of 100, but all the enterprises surveyed found getting a patent costly. However, only 33% of enterprises reported investing significant resources in R&D. Together, this may explain why only 22% of the enterprises surveyed reported holding a patent for their main product.

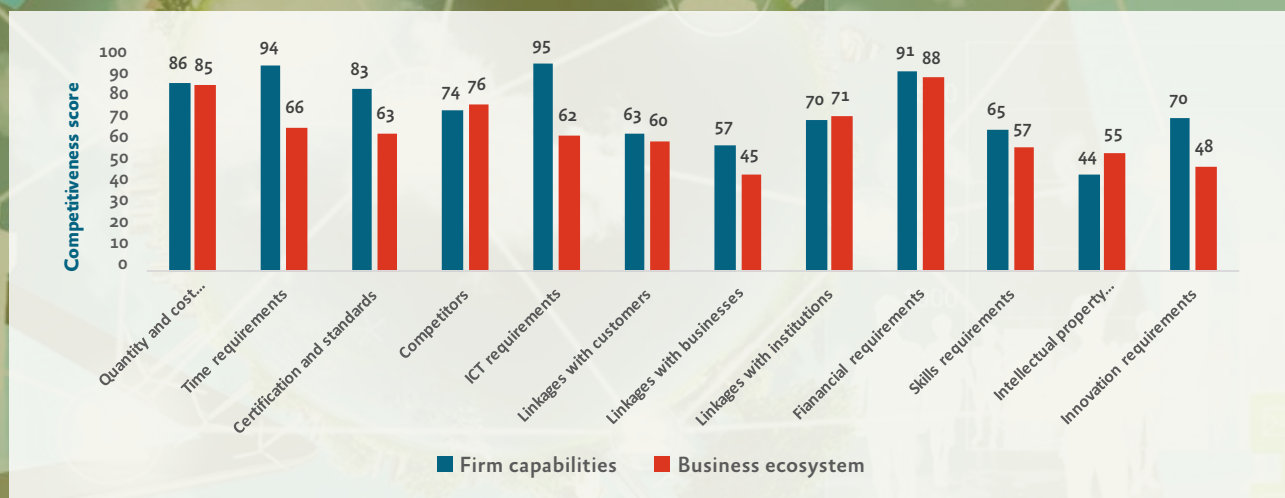
1. National Central Statistical Office, Hungary, 2017.

Electronics Industry

Key sector statistics



Benchmarking results



预览已结束，完整报告链接和二维码如下：

https://www.yunbaogao.cn/report/index/report?reportId=5_22917

