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1. SMEs in the Hungary – a brief fact check:

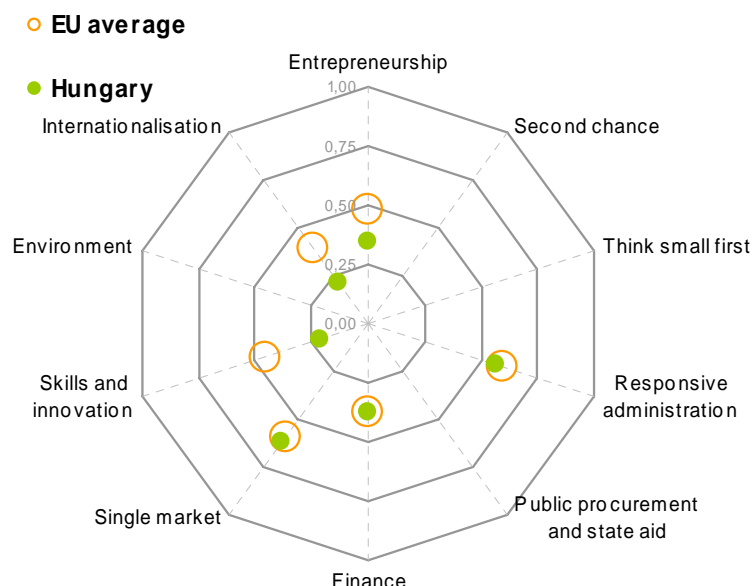
There are approximately 55 SMEs per 1000 inhabitants in Hungary, which is markedly above the EU average of ca 40. Since this is mainly due to a high overall number of businesses, the proportion of SMEs as compared to all enterprises is exactly the same, even though the micro enterprises sector is comparatively more important in Hungary. In terms of SME employment Hungarian SMEs contribute more to total employment than the EU-average, in particular in the segment of the Hungarian micro enterprises. On the other hand the figure is reversed in terms of value added, suggesting room for improvement in terms of the productivity of the Hungarian micro enterprises.

	Number of enterprises			Number of persons employed			Value added (MEUR)		
	Value	%	EU-26 average	Value	%	EU-24 average	Value	%	EU-26 average
Micro	527.511	94,7%	91,8%	902.589	35,8%	29,6%	6.345	15,8%	21,1%
Small	24.730	4,4%	6,9%	476.428	18,9%	20,6%	6.561	16,3%	19,0%
Medium	4.116	0,7%	1,1%	409.015	16,2%	16,8%	7.288	18,1%	17,8%
SMEs	556.357	99,8%	99,8%	1.788.032	71,0%	67,1%	20.194	50,2%	57,9%
Large	839	0,2%	0,2%	730.726	29,0%	32,9%	19.988	49,7%	42,1%

Source: Eurostat SBS data base, 2004 and 2005 data.

2. Hungary's SBA profile¹

The SBA policy radar for Hungary suggests room for improvement in several areas: the available data put Hungary in line with the EU average in three areas ("Responsive administration", "Finance" and "Single market"). In the remaining areas with sufficient data for averages to be calculated, ("Entrepreneurship", "Skills and innovation" and "Internationalisation") Hungary's figures trail the EU average. Also in the four sections where no category-average could be calculated the existing indicators are predominantly below par.



Source: European Commission, DG Enterprise

¹ It should be noted that the different dimensions of the radar correspond to the set of 10 principles foreseen in the European Commission's Small Business Act.



I. Entrepreneurship: The available figures for Hungary in this category are below the EU average. The actual experience of setting up and running a company is nevertheless more widespread in Hungary than in its EU peer countries (30% have started a business that is still active or are currently taking steps to start one in Hungary, compared to 23% for the EU average). However, only 44% see entrepreneurship as an opportunity, compared to the EU average of 58%. It is also the case that only around one fourth desire to become self-employed, which is below the EU average.

II. Second chance: The single available indicator for this section – degree of support for allowing a second chance, shows a value clearly lower than the EU average (ca 80%) with only 61% expressing such support.

III. Think small first: The two available indicators for this section – the degree of support among SMEs for current regulations and the time it takes to comply with administrative obligations - show inconclusive results. The first one is below the EU average of 29% (19% in Hungary). The second one is relatively positive, compared to the EU average being better performing (5% as opposed to 8% of total working time).

IV. Responsive administration: For this category, Hungary's results are on a par with the EU average. On the level of individual indicators there are, however, substantial oscillations. In terms of the labour market, Hungary seems to have very simple procedures for hiring and laying off staff, ranking among the best in EU countries. The cost of enforcing contracts is also clearly below the average (13% of the cost of the claim compared to ca 19% on average). However the cost to close a business seems to be relatively high in Hungary (15% of the estate) as compared to the EU average (ca 10,8%). The cost of registering property in Hungary (11% of the property value) is higher than the EU average and very high in the European context.

V. Public procurement and State aid: The two indicators in this section point in different directions for Hungary - the share of SMEs in public procurement contracts is much higher in Hungary (68% compared to 42%) whereas the proportion of state aid devoted to SMEs is far below average (4% compared to the EU average of 11%).

VI. Finance: For this category, the results of Hungary are in line with the EU average. The country underperforms in terms of the share of lost payments (almost 3,4% as compared to the EU average of 2,4%). The average payment delay is longer in Hungary (almost 73% of the number of contract days compared to the EU average of 50%) of the figures measuring the availability of venture capital availability (particularly for the expansion stage) are also behind the EU average. On the other hand, the extent of guarantees for SMEs in Hungary is among the very highest of all EU countries.

VII. Single market: The data for this section hint at a rather average performance in Hungary. On the level of individual indicators there are, however, substantial differences. All three indicators related to the implementation and transposition of EU directives, linked to the Single Market, is clearly above the EU average. For example, the average transposition delay of overdue directives is ca 7 months in Hungary, compared to 9,5 months on average. However, this does not seem to translate into an EU-integrated economy for SMEs: the Hungarian share of intra-EU exporting SMEs is much lower than the EU average (0,5% of all SMEs as compared to 2,9%).

VIII: Skills and innovation: The information available for this section places Hungary below the EU-level, in both policy areas covered by this SBA principle. The figures for Hungary regarding the participation rate in learning activities in micro enterprises are among the lowest in Europe (only ca 13% compared to the EU average of 47%). This relation also holds true for SMEs in general, although not as pronouncedly. The duration of the training provided to employees in Hungary is also shorter than in EU peers. As for innovation, it can be stated that the share of SMEs having new products or income from new products is quite low (46% compared to the EU average of 63%). The share of innovative SMEs cooperating with others is below the average (6,6% compared to the EU average of ca 9%).

IX: Environment: Three indicators are available for Hungary for this section. It seems that the share of Hungarian SMEs having comprehensive systems for energy savings, and the share of Hungarian SMEs applying simple measures to save energy taken together are somewhat below average (2% and 25% compared to the EU average of 4% and 29% respectively). This picture is further substantiated by the fact that the average



expenditure on environmental protection in Hungary is quite low (ca €370) than the EU average (€900).

X: Internationalisation: The data available positions Hungary significantly below the EU average in this section. The values measuring the procedures for exporting and importing imply a less advantageous situation compared to other EU countries. The number of days required to import

and export is above the average (17-18 days as compared to ca 13 days). The country has a low share of SMEs exporting outside the EU (1,8 % of all SMEs as compared to 3,8%), mirroring the performance level of the "twin" indicator for intra-EU exporting SMES in the Single Market section. It is also noteworthy that the Hungarian share of SMEs gaining income from subsidiaries and/or joint ventures abroad is practically inexistent (only 0,2% compared to the EU average of 4,8%).

Example for a good practice in SME policy

To illustrate the efforts of the Government to promote SMEs, the statistical information of the fact sheet is enriched by an example of a good practice in SME policy - as singled out in the European Commission's Communication on "Think small first – A Small Business Act for Europe":

Title of the Project: Innovation management

The purpose of the project is to deliver Hungarian products with international market potential, to better use innovative ideas and research results.

It is based on a standardised procedure: the innovation centre gathers creative ideas from small businesses, universities and research institutes. After screening them for intellectual property rights and international market potential, selected projects are awarded support, tailored to their specific phase of development (technology transfer, management support, business start-up, investor mediation, coordination of project financing). The activities rely on experience gained from US and European best practices. Initially, the activities were managed by a consortium (INNOCHIC) set up in 2003. To expand the activities, a joint stock company (ValDeal ZRt.) was founded in 2006. At the outset, the activities focussed on the Central Hungarian region; now they cover the whole country. The programme was largely financed from private funds, with Hungarian government support accounting for 5-10% of total costs.

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