SHARED SERVICES CENTRES
IN HUNGARY
OPENING DOORS
FOR YOUR INVESTMENT
ABOUT HUNGARY
MAIN FIGURES

AREA
93,022 km²

TIME ZONE
GMT +1 HOUR

CAPITAL
BUDAPEST
1,759,467
(as of January 2016)

POPULATION
9,830,485
(2016, HCSO)

OTHER MAJOR CITIES
- Debrecen (203,059)
- Szeged (162,621)
- Miskolc (158,101)
- Pécs (145,347)
- Győr (129,568)

CURRENCY
FORINT (HUF)

GDP (PPS)
€ 194,248 MILLION
(2015, HCSO)

INFLATION
0.4%
(2016, HCSO*)

UNEMPLOYMENT RATE
5.1%
(2016, HCSO)

MEMBERSHIP IN INTERNATIONAL ORGANISATIONS
- EU, UN, OECD, WTO, NATO, IMF, EC
- EU member: since 2004

FORM OF GOVERNMENT
PARLIAMENTARY REPUBLIC

CLIMATE
TEMPERATE
(similar to the rest of the continental zone)

RISK OF NATURAL DISASTERS
VERY LOW

ABOUT HUNGARY
INWARD FDI STOCK IN 2015 (PERCENTAGE OF GDP)

HUNGARY 70%
CZECH REPUBLIC 62%
SLOVAKIA 51%
ROMANIA 40%
POLAND 39%
SLOVENIA 30%

Source: wiiw FDI Database

Shared Services Centres in Hungary
We chose Budapest because of the quality of talent - the core skill sets as well as the behaviours and mindsets that support our principles. The city is recognized around the world as a center of innovation, of some of the world’s top engineers and tech experts – and we are privileged to be able to draw on that talent by opening an office here.

Melanie Seymour
Managing Director and Head of BlackRock Budapest

Hungary is an open economy where particular emphasis is placed on encouraging foreign investment. Partnership with potential investors is a national priority, special attention is paid to the needs of companies already settled in Hungary, and to the further improvement of the business climate.

YOU CAN COUNT ON THE GOVERNMENT’S COMMITMENT TO FURTHER IMPROVE THE BUSINESS CLIMATE
In order to improve the business climate, the Hungarian government...

- has modified its taxation and incentive system related to R&D activities to make Hungary the innovation hub of CEE.
- has introduced a new incentive scheme supporting tech-intensive investments.
- was the first to implement a Digital Nation Development Program in the CEE region.
- has created the most competitive CIT in the EU with 9% flat rate.
- further improved the practice-based dual education system based on industry needs.
- has introduced its unique economic development plan based on Industry 4.0 requirements.
- is committed to further reduce taxes on employment.
- has signed more than 70 strategic partnership agreements giving companies fast access to the Government.

INVESTMENTS IN FOCUS
ABOUT HUNGARY
BUSINESS ENVIRONMENT

Shared Services Centres in Hungary
Many companies have chosen to offshore, or rather nearshore, finance, accounting, human resources, customer service, and IT to Hungary because of the technological skills and business knowledge of the local workforce; the experiences of these firms are extraordinarily positive.

The first regional service centres appeared in Hungary in the 1990s. To date, almost 100 companies have established around 110 operating SSC sites here, employing some 42,000 people, mostly young professionals speaking multiple languages.

“Europe is home to the global headquarters of many of GE’s industrial businesses like Oil & Gas, Renewables, etc. and when we decided to create a shared services organization within the company, we chose Hungary as one of the five global locations for establishing our Global Operations Center. Today, there is a diverse multicultural team of 1,500+ at the Center. GE has over 25 years of history in Hungary. We employ more than 10,000 people, and have strong experience in developing centers of excellence and shared services in the country. The availability of skilled workforce with good language skills, mature shared services presence in the market, developed infrastructure, central location and time-zone – all of that within the European Union and in a stable economic environment were some of the parameters in favor of our choice.”

Joerg Bauer
President, GE Hungary
Typically, SSCs are set up with relatively low registered capital. Companies gradually build up and expand their operations with new, high value-added activities. The workforce comprises mainly of fresh graduates and speakers of foreign languages, and the sector has created hundreds of new jobs. Companies establish an SSC in Hungary to serve their own subsidiaries or to provide outsourced services for other companies. Most Hungary-based regional SSCs are involved in finance, accounting, IT, Customer Service, HR and other back-office activities.

In addition to these, early positive experiences have led to the emergence of so-called centres of excellence in recent years. Beside conducting simple transactions, these centres carry out more complex activities with higher added value. Such functions include corporate finance, credit management and control.
* Source: HIPA Database, February, 2017
universities in Hungary appear in the QS World University Rankings® 2016-2017 (which is one of the most widely read university comparison of the world’s top 900 universities).

Source: HCSO
The biggest advantage of doing business in Hungary? It is the abundance of natural resources! My answer would be surprising if you think of natural gas or coal, but it makes perfect sense if you think of one of the most precious “raw materials” of the ICT industry: human knowledge. Hungary’s traditionally acclaimed technical and nature sciences education provides a sustainable supply of highly educated, innovative and multilingual young professionals and this “natural resource” combined with the competitive economic conditions make the country an attractive place both to invest in and to run a business from. And above all these, there is the country’s unique geographical position: Hungary throughout its history has always been a bridge between West and East, Europe and Asia. This “Euroasian” feature is still prevalent in the Hungarian economy: Western legal and tax system combined with the competitive Eastern conditions of doing business along with the creativity and work ethics of Hungarians makes this country an ideal spot for innovation-driven industries like ICT and companies like ITSH.”

Christopher Wilson
CEO
IT Services Hungary

Regarding our talent pool, 259,529 students were enrolled in 66 institutions of higher education in the 2015/2016 academic year. Business and Law students are the largest single group, numbering 93,739 in 2015 but Technical education and IT are also popular faculties.

The Hungarian Service and Outsourcing Association (HOA)

The HOA was established by leading Hungarian and multinational companies in 2005 to promote and support activities in the service sector. HOA offers the following services to its members:

- information network promoting the benefits and positive impact of outsourcing
- a forum for members to discuss service sector and outsourcing related issues (best practices, techniques, market developments, etc.)
- collection & distribution of market information
- maintaining contacts with foreign purchasing and outsourcing organizations
- lobbying activities to improve the legal and administrative environment for outsourcing and services.

Hungarian nominees have won in five categories at the Central Eastern European Shared Services and Outsourcing Awards gala event in Warsaw. The city of Debrecen, British Telecom (BT ROC), British Petrol (BP GBS) and Tata Consultancy Services were awarded this year at the most important regional event of the shared service sector (SSC).

HUNGARIAN WINNERS AT THE MOST SIGNIFICANT REGIONAL SSC EVENT
According to SSC employers Hungarian graduates are motivated, loyal, and talented individuals with considerable problem solving skills.

In the last academic year, over 60,000 students learnt 34 different foreign languages in 66 universities or colleges. All tertiary education degrees include a foreign language certificate and computer skills. The most common languages taught at universities are English, German, French, Spanish, and Russian, but more exotic languages such as Swedish, Norwegian, Finnish, Dutch, Japanese, Chinese, Portuguese, and Arabic are also taught.

High Level language skills are indispensable for successful SSCs and BPOs. Young Hungarians understand that in order to get ahead in today’s Europe, linguistic skills are essential.

In 2014/2015 more than 552,067 Hungarian primary school students and 510,613 secondary school students were learning foreign languages, mostly English and German. Hungary has approximately 200 bilingual primary and secondary educational institutions, where 40,000 young Hungarians study in English, German, French, Italian, Spanish, Russian, Chinese, and Hebrew.

Since Hungary’s entry into the EU, there has been a growing number of native language speakers at our universities, and an increasing number of Hungarians study abroad. Since 1997, Hungary has been part of Erasmus, the EU’s largest and most successful mobility program. Hungary is also an active participant in the Life Long Learning program, which helps to provide international internships for students.

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Hungary is within two hours by air from most major European capitals, and provides a key link between Europe and the rapidly expanding markets of the East. The 6 hour time difference from New York and the 7 hour time difference from Tokyo enable SSCs to provide services to the East and West simultaneously.

YOU CAN
MAKE THE MOST OF THE COUNTRY’S STRATEGIC LOCATION: EASY ACCESS TO BOTH WESTERN AND EASTERN EUROPEAN COUNTRIES FROM THE HEART OF THE CONTINENT

Paula Busby Latta
Director, Electrical Sales Operations and EMEA Business Service Center, EMEA Eaton Enterprises Hungary Kft.

“Budapest has been a great place to build a strong foundation for the success of Eaton’s EMEA Business Service Center (BSC). As a new start-up, the Eaton EMEA BSC was able to leverage the local shared services industry, network and expertise. The business environment and multi-cultural qualities of Budapest have enabled us to quickly grow and build a broad portfolio of jobs and capabilities to meet the business challenges in many areas including customer care, technical support, finance and supply chain. The most important source of value comes from the diverse talent we have been able to recruit, with the right mix of education, competencies, experience and language skills. High quality and passionate people drive Eaton’s ability to make what matters work for our customers and our employees. The Eaton BSC in Budapest is a great example of this.”

OPEN TO THE EAST: EMIRATES
In March 2014, Emirates Airlines announced a new contact centre in Budapest with a full time staff of 300. Hungary-based SSCs typically serve European and US parent firms, and it is hoped that the Emirates’ commitment encourages more Eastern companies to set up operations in Hungary.
In terms of offices, there is over 3.35 million m² of modern office space in the Hungarian capital, making Budapest the second largest office market in CEE.

Until very recently, the city was dotted with construction sites; some 252,000 m² office space was built in the last four years, while further 379,000 m² office space is under construction in Budapest with expected delivery until the end of 2018. Consequently, compared to many Western European cities, the capital’s office stock is relatively new. In terms of quality, Budapest does not differ greatly from its Western European peers as most buildings were constructed to internationally accepted German and US standards.

Potential tenants have considerable opportunities, with 319,200 m² - 9.5% (2016 Q4) of the total office space – currently available. Assuming a requirement of 1,000 sq m. (for a business of 100-120 people), there are over 80 suitable buildings. Cost-conscious solutions in newly built properties, as well as effective lay-outs and close-to-city locations are particularly popular with SSCs.

According to CBRE’s database, Hungary has one of the lowest rental prices in Category A (EUR 14.5/m²/month) in the region.

Zoltan Szabo
General Manager
BT ROC

“...In the last 10 years, BT’s establishment in Hungary has become one of the biggest and most complex service centres in the country as well as among BT’s strategic headquarters. Our centre provides services in 20 distinct languages in the fields of partner management, finance, business administration for BT’s subsidiaries and high value add technology functions such as network and service design. The benefits of the Hungarian investment environment, great location and talented Hungarian workforce enabled us to have on-board more than 2000 colleagues in our offices nowadays.”
YOU CAN COUNT ON THE QUALITY LABOUR FORCE ACROSS HUNGARY

Jamie CA Anderson
Head of Centre
BP GBS Europe

“BP has been present in Hungary for 15 years and we opened our shared service centre in Budapest in 2009. Since then, our centre has grown from strength to strength, it is a core part of BP’s business and employs around 1,400 people. This year, we are expanding our operations to a second city – Szeged, where we expect to employ around 270 people. Our global business service centres carry out a variety of business activities for BP, including: financial reporting and accounting, procurement, tax, human resources, customer services and supporting commodity trading. Our people are key to our success – we aim to deliver service excellence and create value for BP’s entities in Europe and across the globe. BP now has business service centres operating in five continents, supporting our diverse and global business. With the expansion to Szeged, our operations in Hungary will become our largest service delivery location within BP.”

EXPLORE THE UNIVERSITY CITIES

As for the emerging tier two cities, after two decades of experience, Hungary is considered a mature and effective location for SSCs. Whilst the majority are located in Budapest, more and more companies are looking to larger towns with universities. Outside the capital, the most popular locations are Pécs, Székesfehérvár, Szeged, Miskolc, Debrecen, Nyíregyháza.

Apart from abundant and skilled labour force, choosing a tier two city could potentially mean more government incentives as well.

Shared Services Centres in Hungary
INTERNATIONAL SCHOOLS
Expatriates looking to stick with the curricula of their home countries can choose from a range of private international schools for their children. There are also many English, German or French public and private pre-schools for children aged from three to six. The school year starts in September and ends in June, and school buses are usually available at private schools. There are many opportunities to study in a foreign language at universities too.

EXPLORE THE COUNTRYSIDE
Hungary’s diverse countryside offers a wide range of outdoor activities: 11,000 kilometres of hiking routes; more than 2,500 kilometres of cycle paths; 22 golf courses; ten national parks; and many protected nature reserves for those in love with fresh air. The protected Puszta-region, the Great Plain, the romantic Danube Bend with its historic sites, and pretty baroque towns, such as Eger, attract visitors all over the year. Lake Balaton, the largest fresh water lake in Central Europe, is a perfect holiday resort.

EXPATS LIKE HUNGARY
Budapest is a city full of surprises and wonders, with its lively centre, pretty parks, majestic river, tall church spires, and lavish spas. One of the most exciting cities in the world, Budapest is full of secrets, hidden spots to explore, and old favourites to revisit. This is the city where being bored is not an option.

According to TripAdvisor, Budapest is offering the best price-value ratio in the world. According to Condé Nast Traveler readers, Budapest is the second best city on earth.

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The Hungarian Investment Promotion Agency (HIPA) is a national investment promotion organisation governed by the Ministry of Foreign Affairs and Trade. It provides professional consulting services to interested companies free of charge in a one-stop-shop service model, supporting them in selecting a business location, providing tailor-made incentive offers and information on state subsidy issues, identifying investment possibilities and dealing with public authorities.

IPA operates in close cooperation with diplomats abroad promoting foreign trade activities, helping to strengthen Hungary’s foreign trade relations at 131 local representations in 84 countries.
BEFORE YOU MAKE A DECISION WE OFFER YOU...

- one-stop-shop management consultancy services to address your business needs.
- meetings with HR & real estate agencies, law firms and other consultants based on your needs.
- tailor-made incentive offers and information packages on the business environment, labour market, tax regulations, etc.
- location search & evaluation + site visits.
- reference visits at companies that are already established in Hungary.
- assistance with your incentive application.

AFTER YOU HAVE CHOSEN HUNGARY

We support your further expansion and plans.

Please contact us
Address: 1055 Budapest, Honvéd utca 20.
Customer service: investment@hipa.hu
Telephone: +36 1 872 6520
Web: www.hipa.hu
Regional grants are the most typical forms of incentives for greenfield / brownfield investments or reinvestments. The maximum amount of regional incentive is shown on the regional aid intensity map. The map above illustrates that regional aid available for investment for a large enterprise may be up to 50% of the eligible costs of the investment, depending on the region. For investments not exceeding €50 million, the maximum intensity ratio can be increased by 10 percent for medium-sized and by 20 percent for small enterprises.

As a member of the European Union, Hungary’s regulations on incentive opportunities are in accordance with the EU rules. One of Hungary’s competitive advantages over other countries in the region is the Government’s strong commitment to increase the competitiveness of SMEs and large enterprises in Hungary. Alongside the regulatory tools that contribute to the competitive business environment of local companies, Hungary offers wide-ranging incentives to facilitate foreign direct investments and reinvestments by local enterprises. Subsidies may be granted as regional aid or specific aid, such as R&D subsidies.

The maximum available aid intensity decreases if the investment is a large investment (exceeding €50 million): 50% of the maximum aid intensity determined in the regional aid intensity map is available for investment between €50 and €100 million, with 34% of the maximum aid intensity for investment over €100 million.

For information on up-to-date and individual incentive packages please contact HIPA directly.