Hungary: Europe’s manufacturing and innovation hub

Its focus on foreign direct investments and innovation could make the Central European economic champion even stronger

Having consistently outperformed average growth in the European Union (EU) by 2-3 percent for almost a decade, there are signs that the Hungarian economy could be one of the first in the bloc to bounce back from COVID-19.

In the third quarter of 2020, its gross domestic product (GDP) leapt up 11.4 percent, recovering much of the loss incurred in its locked-down second quarter and leading many to predict full economic recovery by the end of this year or mid-2022 at the latest. This positive result has been attributed to the Central European country entering the crisis in an extremely strong fiscal and economic position, as well as the early implementation of an economic protection plan valued at 18-20 percent of GDP. “The state intends to continue to play an active role in promoting and assisting market mechanisms to strengthen the economy and help it to return to normal,” explains Zoltán Kovács, Secretary of State for International Communication and Relations, and International Spokesman for the Cabinet Office. As part of the plan, investment incentive schemes were launched that have attracted €1.8 billion from firms during the crisis, says Róbert Ésik, CEO of the Hungarian Investment Promotion Agency.

The government has made the attraction of both domestic and foreign investments a priority since 2010. Already, half of the world’s largest multinationals have a presence in the country, drawn in by its strategic location, stability, advanced infrastructure, well-educated labor force and highly competitive business climate. 2019 was a record year for inflows, with investments coming from 20 different countries. “We are interested in attracting as many non-European investors as possible,” Kovács states. “Europe remains central to our industry and trade strategy but we believe it is good to have more pillars on which your economy can stand.” The U.S. is currently the largest non-EU investor, but an active policy of opening up to the East has born fruit, with 38 percent of new jobs being created by Chinese, South Korean and Japanese firms in 2019. For instance, South Korean SK Innovation’s new electric-vehicle battery plant will generate employment for about 2,500, while Samsung SDI’s €1.2-billion expansion of its battery facility will add many more.

These two investments are indicative of a transformation that is taking Hungary away from low-cost production toward innovative and technology-based industries. “After our success in positioning Hungary as the manufacturing hub for Europe, our attention has turned to high-value-added manufacturing and services. For example, we have long been particularly strong in the automotive sector, but we are now a leading location in Europe for electric mobility as well. We have also become a major destination for business service centers,” says Ésik. To drive this transformation, the government has established a Ministry of Innovation and Technology and is reforming higher education to enable closer academia-industry collaboration, while it aims to boost research and development (R&D) spend from around 1.8 percent to 3 percent of GDP by 2030. “In line with this, we have redesigned incentive systems for supporting R&D. Based on an IBM global report, we now rank 9th worldwide for R&D investments, which confirms we are on the right track. We are proud to have attracted investors like financial asset manager BlackRock that has created a successful innovation hub,” Ésik says.

As well as embracing global investors, Hungary is increasing its international footprint through collaborations with other governments, notes Kovács. “Apart from being members of the EU, we’ve invented new forms of cooperation. The Visegrád Group (V4)—Hungary, Poland, Czechia and Slovakia—is a good example. We have very good cooperation across broad areas such as COVID measures, energy infrastructure, regional transport and tourism. We also have V4+ regional formations that include Slovenia, Croatia, Romania, Bulgaria and Serbia.” These strong regional connections give export-oriented Hungary an additional post-COVID advantage when supply chains are likely to shorten as markets look for secure local suppliers. “Before COVID, Hungary was among the EU’s economic champions and we have a very good chance of coming out of it even stronger. I believe investors should continue to take the country into account when looking for a competitive European location,” Ésik concludes.
An open-door policy toward investors

Pro-business Hungary has a powerful mix of tax regimes, legal frameworks and incentives in place to attract global investments.

Foreign direct investments (FDIs) into Hungary surged by 24 percent to reach an all-time record €5.35 billion in 2019, as the country continues to cement its place as a preferred destination for the world’s investors.

“Between 2014 and the first half of 2020, we successfully negotiated a total of 538 FDI projects with a value of €2.3 billion, creating over 92,000 jobs,” says Robert Ésk, CEO of the Hungarian Investment Promotion Agency (HIPA), the one-stop shop for investors. “According to the JIMB Global Location Trends report, Hungary ranks 92nd globally in terms of population but is now 16th when it comes to employment creation through FDI.” Illustrating the wide-ranging potential in the country’s resources, the 110 FDIs undertaken in 2019 were made in 20 different industrial sectors, he notes. “We are particularly strong in the automotive sector and have become a hub for electric mobility in Europe. In 2019, Hungary welcomed 10 e-mobility projects totaling €2.9 billion, including ones from KE Innovation, Samsung, SDR and Audi. We also signed another 14 agreements with investors in business services centers. So, for example, selected Hungary as its location for global business services, while Tesco chose Budapest for its regional business and IT services.” Some of these new FDIs included nofi, for example, selected Hungary as its location for global business services, while T esco chose Budapest for its regional business and IT services. “The government is fostering cooperation between universities and companies with special cash funds dedicated to R&D. The higher education system is also being reformed so that businesses will have much more say in shaping programs.”

The education reforms will be the largest the country has ever seen, says Liszlo György, State Secretary for Economic Strategy and Regulation. “The employment market’s needs are changing rapidly, but our state-managed education systems haven’t been capable of following this shift. So we have liberalized and deregulated vocational education to make it more flexible for new vocations to come into the system, and we are changing the operating model of our universities to make them privately led and closer to the market.” According to György, this new model will substantially reduce the red tape involved in collaborations between universities and businesses. “From now on, if there is a demand from businesses, our universities can immediately meet it.” Those companies will also gain from the €5 billion the government is investing in building cutting-edge innovation ecosystems in its universities and research institutions. “We’ve created 10 science parks and are establishing around 20 national laboratories. We’re investing in our strengths and think Hungary can be very successful in future industries like big data, artificial intelligence, Industry 4.0, high-performance computing, hydrogen, biotechnology and genomics,” he concludes.

The lowest corporate tax rate in the EU

KCG Partners is one of the country’s best and law firms, with a particularly strong reputation in areas such as litigation, tax, employment law, regulatory compliance, mergers and acquisitions, property development and global relocation. KCG’s managing partner, Eszter Kamocsay-Berta, provides an insight into some of Hungary’s investment incentives. “It has a favorable tax and financial environment for business that the government has enhanced over the last couple of years by introducing measures that are available to all companies registered here regardless of their nationality. For instance, the government has created by far the most competitive corporate income tax regime in the EU with a 9-percent flat rate, and has gradually reduced taxes on employment: the social contribution rate has fallen from 27 percent in 2017 to 15.3 percent in 2020. In addition, there is no withholding tax on dividends, interest and royalty paid by a Hungarian company to a foreign company.”

As a result of Hungary’s spectacular economic growth over the last decade, 800,000 new jobs have been added in a country with a population of just 10 million. This has allowed a shift in the focus of FDI incentives from purely financial to attracting businesses, our universities can immediately meet it.” Those companies will also gain from the €5 billion the government is investing in building cutting-edge innovation ecosystems in its universities and research institutions. “We’ve created 10 science parks and are establishing around 20 national laboratories. We’re investing in our strengths and think Hungary can be very successful in future industries like big data, artificial intelligence, Industry 4.0, high-performance computing, hydrogen, biotechnology and genomics,” he concludes.

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Eszter Kamocsay-Barta, Managing Partner, KCG Partners

Tamás Löcsei, Country Managing Partner, PwC Hungary

Liszlo György, State Secretary for Economic Strategy and Regulation
Having achieved an average 5 percent quarterly rise in gross domestic product (GDP) over recent years, Hungary’s central bank (Magyar Nemzeti Bank) estimates its economy could have contracted 6 percent due to COVID-19. Mihály Patai, deputy governor of the bank, is convinced the country will return to high growth by 2022. “I don’t believe we will continue to have such low growth rates as we had in the last cycle—it will be about 3.5-4 percent—but it will still be 2-3 percent higher than the eurozone’s average.” The country’s impressive pre-COVID economic performance had its roots in robust fiscal policies established since 2010 by the current government, he believes. “Our macroeconomic balances were put in order, including the state budget and the current account. We were very disciplined and our fiscal deficit was kept below 3 percent. We entered the pandemic with very strong fundamentals and growth, making us better prepared than others. This is why I am optimistic about the future. My conviction is that we will return to growth with our budget and current account in equilibrium.”

Magyar Nemzeti Bank’s (MNB’s) monetary policies have also contributed to the economy’s stability over the last decade. “The central bank has achieved important results. We brought down the basic interest rate from 7 percent to below 1 percent and, in 2015, we converted all Swiss-franc denominated mortgages into our local currency,” Magyar Nemzeti Bank’s (MNB’s) monetary policies have also contributed to the economy’s stability over the last decade. “The central bank has achieved important results. We brought down the basic interest rate from 7 percent to below 1 percent and, in 2015, we converted all Swiss-franc denominated mortgages into our local currency.”

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The bank’s extensive digital skills have given it an important role as an innovation hub within its parent group Inexa Sapaos, the leading bank in Italy and one of the soundest and most profitable banks in Europe, with approximately 14.6 million customers in Italy, while the group’s international subsidiary banks serve 7.2 million customers across Eastern Europe, the Middle East and North Africa. On the other hand, thanks to exploitation of the Inexa Sapaos Group’s expertise and support as well, CIB has one of the most advanced risk management practices in the country, comments Simák. “We have found the right balance between healthy growth and maintaining a clean balance sheet. We have out-performed the growth of the market in the past years, the rate of our customers that are over 90 days in delay of payments is 1.4 percent, whereas the Hungarian average is 2 percent. This comes with about 10-13 percent annual growth on our loan book on a year-on-year basis.”

As a gauge to our efficiency, we were the only bank on the Hungarian market to introduce a pre-COVID situation by the end of 2021.”

Technology keeps the lights on.

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ExxonMobil
Europe’s favorite travel destination is ready to reboot

After almost a year of shutdown, Hungary is coming back with a powerful tourism proposition

Known as the “Paris of the East,” romantic Budapest is one of Europe’s most alluring capitals. To the west of the majestic River Danube that flows through its center is its cobbled medieval castle district, a UNESCO World Cultural Heritage site. Take a short walk across a bridge to its east bank and you find yourself in cosmopolitan Pest, with its magnificent 19th-century mansions, high-end shops, cafes, restaurants and nightlife.

A diverse wealth of history, culture and natural beauty lies outside the city as well. Reminders of Hungary’s 1,000-year history are scattered throughout the lands, from Basque towns to Middle-Age castles, Renaissance palaces and Romanesque churches. It’s in its rich natural environments that the country really stands out though, boasting extensive national parks, fish-filled rivers, beech-lined lakes and open countryside. One highlight among many is Lake Balaton, Central Europe’s largest lake that is ringed by marinas, traditional villages and vineyards. Another is Hortobágy National Park, which CNN ranks in the top 20 most beautiful spots in Europe. Home to over 340 bird species, water buffalos, hens of horses and other animals, it’s the ideal place to take advantage of rural Hungary’s lack of light pollution to indulge in the stars. “Our landscapes are unique,” says László Könnyid, deputy CEO of the Hungarian Tourism Agency (HTA). “They offer perfect options for those wanting to feel a sense of being in nature or lovers of activities like cycling, hiking and water sports. We are particularly renowned for our marvelous thermal waters, spa springs and vineyards. We have over 1,300 hot springs, 200 public spas and Lake Heviz, the world’s largest thermal lake.”

Wherever you go, gastronomy is exceptional, with both Michelin-starred restaurants and small country taverns preparing tempting delicacies from locally sourced meats, fish, vegetables, fruits, nuts, dairy products and, of course, paprika, the essential ingredient in Hungary’s famous goulash. Meals are washed down with great wines, with dessert calling out for a glass of sweet Tokaji Aszú, the wine of kings according to France’s Louis XIV.

Word is out about some of these attractions. “Before COVID, tourism accounted for 13.2 percent of gross domestic product and 2019 was a record-breaking year with 42 million guest nights. January and February 2020 were also record months—but then the pandemic came,” Könnyid recalls. Even though its borders remained closed to most international visitors for the rest of 2020, parts of the sector still welcomed many domestic and regional guests, he notes. “People wanted to escape to our smaller towns and more remote locations to spend time alone in the countryside and connect with nature.”

Responsible for promoting demand, investment and development in tourism, Könnyid and his team at the HTA took advantage of the sector’s relative shutdown to reboot their strategy. “Going forward, spa culture and health tourism are areas that distinguish us that we can build on. Business tourism is another opportunity as Budapest meets all the requirements.” The agency is also boosting the quality, sophistication and efficiency of Hungary’s rural tourism to encourage visits to its glorious countryside. Digitalization and digitalization and technology, medical equipment, agriculture and brewing. Privatized in 2005 and later acquired by the French events group GL in a move that boosted business development, Hungexpo not only promotes Budapest as a MICE destination to foreign enterprises and delegates, but also to a large national audience.

Budapest’s exhibition center gets total facelift

Plans are now well under way to revitalize the Hungarian capital and enrich it with a 21st-century exhibition and conference venue

Before COVID-19 badly hit the international events, tourism and business tourism sectors, Budapest had been carving out a reputation as an emerging venue for meetings, incentives, conferences and exhibitions (MICE), meaning the bustling European city is well positioned to capitalize on a strong rebound post-pandemic.

“Our intention is to establish Budapest as an expo hub in the region,” notes government spokesman, Zoltán Kovács. As the leading exhibition and conference organizer in Hungary and the wider region, Hungary aims to help the government achieve this goal. The company boasts five decades of valuable experience in organizing large events for sectors including construction, automotive, manufacturing, technology, medical equipment, agriculture and brewing. Privatized in 2005 and later acquired by the French events group GL in a move that boosted business development, Hungexpo not only promotes Budapest as a MICE destination to foreign enterprises and delegates, but also to a large national audience.

“Once international visitors start flocking here again, our renovations will be complete and we will be ready to welcome them back.”

László Könnyid, Deputy CEO, Hungarian Tourism Agency

Gábor Ganczer, CEO, Hungexpo

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“With our €170m refurbishment project, from 2021, Budapest can play a well-deserved role in the field of large and mega size events.”

Gábor Ganczer, CEO, Hungexpo

Budapest’s strength is its location: the city is ideally situated in the middle of Europe as a hub connecting Eastern and Western Europe,” states Gábor Ganczer, CEO of Hungexpo. “Budapest also offers good value for money with very nice hotels and places for side events. Our capital is an excellent place with great expertise, especially in medical association fields, and it has a unique role to play in the MICE industry in the near future.”

In late 2020, Hungexpo successfully held some trade exhibitions after introducing exceptionally strict health and hygienic measures for vendors and participants, with numbers carefully controlled to ensure social distancing. Ganczer was pleased with the comments from visitors and is confident such success will be repeated during 2021’s events calendar.

“Relaunching the economy depends, among other things, on whether companies find networking opportunities such as those offered by us,” he says. “Based on feedback from exhibitors and visitors, we have gathered a lot of useful experience for organizing future exhibitions. Exhibitions are a vital engine to restart the economy, and a key success factor.”

In a development that underlines its confidence in the MICE sector, Hungexpo is undertaking a €170m refurbishment, featuring two new exhibition halls, a new reception building and a new congress center. All existing pavilions are receiving facelifts and the eight exhibition halls will be interconnected with a covered passageway, providing exhibition options under one roof. Other key improvements due for completion in 2021 include a state-of-the-art seating system and new audio-visual technology.

“With this development, the capital will have the opportunity to host international congresses, conferences or exhibitions of any size,” Ganczer adds. “From 2021, Budapest will play a well-deserved role in the field of large and mega-sized events as the city will finally have a proper-sized congress center.”
A growing base for service centers

The property market has benefited from growth in demand, with many investment opportunities available.

Top foreign firms view Budapest as an ideal base to grow their corporate business service centers.

Over the past 25 years, Hungary has grown as an attractive and sophisticated hub for business service centers, with the sector now comprising nearly 100 companies employing more than 40,000 people, mainly young professionals speaking multiple languages.

Households name a range of industries, including Emirates, GE Hungary, Citibank and Nokia, have set up operations here to handle vital operations such as finance, accounting, human resources, customer service and IT. Hungary’s young and talented workforce offer the technological skills and business knowledge that major international companies require. Local investments overseas take advantage of the country’s human resources and favorable location at the heart of Europe to develop international service centers.

The American multinational oil and gas corporation established a shared service center in Budapest in 2004 that now employs around 2,000 people from 80 countries.

In a clear sign of its long-term commitment to the country, the energy giant recently took up new offices to better serve its large, global customer base.

In addition to attractive rents and flexible terms, the new HelloParks industrial sites feature a comprehensive services package, with buildings designed to meet the needs of a modern digital economy, Steinberg explains. “We have a planning regime which is sensitive to the historical and architectural heritage of the cities. Monument protection and sustainable development are key criteria.

The real estate business tends to function with a 3-5 year time horizon so, in that context, COVID-19 will hopefully be seen as a relatively short blip, which then went away.

The industry expert is also chairman and CEO of Wing, one of the largest privately held Hungarian real estate companies. “Our two primary areas of opportunity to migrate from higher-cost locations.

Recently, the company is planning to develop megaparks around Budapest, later expanding into the countryside, where customers can operate warehouses as well as light industrial plants.

Property boom bodes well for 2021

Budapest’s appealing business climate has brought big investment in office space and logistics facilities.

Hungary’s global attractiveness for businesses and industries is not just reflected in its headline macroeconomic indicators like gross domestic product and foreign investment inflows, but also in the impressive number of commercial and industrial projects taking place across the country.

The increasing level of trust in certain industries (FMCG, food), the growth of e-commerce and shortening of production and supply chains, relocating them closer to target markets, has significantly increased warehousing needs, a market being tapped by innovative, industrial real estate development company, HelloParks. The new and rapidly growing business offers comprehensive, client-centered solutions from land development to building construction and site maintenance.

In addition to attractive rents and flexible terms, the new HelloParks industrial sites feature a comprehensive services package, above and beyond warehousing functions. As a first step, the company is planning to develop megaparks around Budapest, later expanding into the countryside, where customers can operate warehouses as well as light industrial plants.

“Beyond supporting the businesses in Europe from primarily a back-office perspective, we’ve become an integral part of the business, at the heart of operations. We are playing a critical role to provide the insights and are fundamental for the business to be able to win in the market-place,” he adds.

HelloParks’ industrial and logistics center is one of the largest.
For decades, Hungary has had a tradition of manufacturing excellence, an attribute that, thanks to a series of successful government promotions, has been only enhanced in recent years. Leading automobile producers have invested in state-of-the-art assembly lines in the European Union country in the past, while the sector is seeing a new wave of investment in the e-mobility sector at present, with two global giants in electric-vehicle battery manufacturing setting up plants.

“Since 2014, we’ve focused on the two key mega trends in the automotive industry: electric mobility and autonomous driving,” says Hungarian Investment Promotion Agency CEO, Róbert Ésik. “In 2019, we welcomed ten different investment projects in the e-mobility sector that totaled €2.9 billion. Audi has launched its e-transformation project and is producing its e-engines only in Hungary, while Germany’s Schaeffler Group is building a greenfield facility at Szombathely for e-mobility components. We’ve really strengthened Hungary as a hub for electric mobility in Europe.”

According to Farkas Bársony, president of the American Chamber of Commerce in Hungary, the country’s transition toward innovation, research and development has created higher-added-value jobs. “We need a strong paradigm shift: Hungary cannot always remain the country of cheap and unlimited labor,” he says. “We have almost full employment, so we can no longer talk about unlimited labor resources, that are not cheap now. We must strive to create an innovation hub in this competitive region. We have advanced transport, telecoms and logistics infrastructure that make a good base.”

As head of one of Hungary’s flagship and oldest manufacturing brands, Jörg Baatz is well qualified to comment on the great strides achieved by the sector in recent years. “Unlike many other countries, Hungary has not given up its manufacturing sector in exchange for services, and so it can now build on it, and embrace Industry 4.0 and the Internet of Things,” states the president and CEO of Tungsram Group, a firm renowned for its lighting, particularly in the industrial, automotive and aviation fields. “This could be the Hungarian model of the future, and increase productivity and output per person. That, in turn, would allow higher salaries and better standards of living without compromising on competitiveness. Hungary can be the place where you take more sophisticated activities, a combination of innovation and manufacturing. This could be Hungary’s specialty.”

Another innovative and award-winning Hungarian company enjoying resounding success in export markets is Wellis, a market-leading manufacturer of jacuzzis that has cornered much of the market in less than two decades. The firm is now Europe’s largest spa manufacturer and relocated plants from China to Hungary over a decade ago. A new factory close to the border with Slovakia will boost hot-tub capacity to 25,000 units in 2021 from 15,000 in 2020. “In Europe, we still have plenty of room to grow as the hot-tub market is relatively new when compared to the U.S.,” says Ákos Czafik, Wellis’ founder and managing director. “We entered the U.S. market in 2019 through distribution centers on the East Coast. We’ve already established 50 new partners and our product has been well accepted, as there were no European products in the U.S. market before. At the beginning it was difficult to break the ice, but we have spread very quickly. The U.S. offers huge potential for our company and our products.”

Manufacturing hub to innovation and R&D center

Competitive labor costs coupled with government incentives to promote R&D and innovation have enticed investment in manufacturing...
Transition towards knowledge-based economy accelerates

Aiming to boost innovation and R&D, the government’s education reforms should trigger a knowledge-based economy and reinforce firms’ global competitiveness.

Tightening cooperation between universities and industries and stimulating applied science are some of the objectives of these reforms, states László György, State Secretary for Economic Strategy and Regulation at the Ministry for Innovation and Technology. “We are changing the leadership model of our universities from state-owned and state-led to private-owned and privately-led,” he explains.

The first to implement such change was Corvinus University of Budapest, a prestigious establishment with 11,000 students and many former alumni within the country’s political and economic elite. Rector András Láncai welcomes the reforms of the education sector. “This change of higher education policy is an evidence of innovation in Hungary,” he says.

László György, State Secretary for Economic Strategy and Regulation at the Ministry for Innovation and Technology

The reforms should trigger a knowledge-based economy as the country’s top innovation policy is an evidence of innovation in Hungary, he says.

Gepida Ltd. is the dominant player in Hungary’s e-bikes sector

In 1997, two Hungarians started a business in a 15-square-meter garage that has gone on to become one of the country’s biggest and most-recognized global brands: Julius-K9®. Today, the multi-award-winning company is a leading manufacturer of high-quality, innovative harnesses and other accessories for the world’s dogs and their owners, with a turnover in excess of €20 million a year and 500 employees.

Julius Sebő, CEO and Founder, Julius-K9®

Julius-K9® products are designed to fit different lifestyles, with popular ranges available for urban dogs and those that love rural rides. But its first innovation to prove universally popular was a line of customizable textile patches for harnesses announcing that a dog was a drama queen, the boss, or single. For owners who want the same kind of technological applications that are available for humans.

The company’s intellectual property rights are now estimated to be worth over €20 billion and Julius-K9® will maintain this by diving deeper into innovation, he asserts. “We are inventors and I insist on keeping it that way. Throughout the years, we’ve constantly taken product innovation to the next level in order to surprise consumers. When it comes to their dogs, owners now want the same kind of technological applications that are available for humans. In our latest innovations, we are using analog and digital instruments to analyze movement patterns and micro-vibrations which when you walk your dog—our Longwalk harness is designed to dampen and absorb micro-vibrations, which has a beneficial effect on humans and dogs alike. My plan is to rewrite history with innovations, so this year we will introduce an intelligent dog harness.”

The Julius-K9® brand umbrella has also expanded to cover a wide range of bestselling products, including dog food and washable human facemasks that perfectly match the material in one of its harness ranges. Currently, there are 220 Julius-K9® trademarks around the world. The company has offices in a number of key markets, such as Florida, as well as a vast wholesale affiliate network and licensing agreements with large international pet companies. Sebő would like to see other innovative goods being marketed under the Julius-K9® name and would be willing to license more products to companies that have the capacity to sell the brand properly. “A major target market is the U.S., while Europe remains important, and serves as our laboratory and testing ground. But our biggest priority markets are always the ones where dogs are loved and have an increasing role in society. We live in difficult times, when dogs are good companions as they keep us inspired.”

Julius-K9® is an option for brands too, Bohr notes. “We are inventors and we insist on keeping it that way. We’re in the business for the long haul. And we’re certain it’s a business that will last as long as there are dogs.”

Julius Sebő, CEO and Founder, Julius-K9®

The European market for pet accessories and food is worth €36 billion

Hungarian entrepreneurs harness innovation

One of the country’s leading brands has made an international impact by designing novel products that make both dog owners and their pets happy.

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Julius Sebő, CEO and Founder, Julius-K9®
The Hungarian devilish drink that conquers the world

One of the world’s fastest-growing beverage brands puts the capabilities of Hungary’s manufacturing in the international spotlight: HELL ENERGY

Established 15 years ago, family-owned HELL ENERGY has achieved explosive domestic and export success to become the third-biggest energy drink manufacturer worldwide after Austria’s Red Bull and the U.S.’s Monster Energy according to estimations, with a presence in over 50 nations on five continents and market leadership in 10 of those countries.

Its dynamic expansion shows no signs of slowing: the firm has continuously seen double-digit annual growth to reach revenues of over $170 million in 2019 and, despite COVID-19, in 2020 its sales rose by another 20 percent. The vision driving the firm hasn’t changed since day one, says managing director Barnabas Csereklye: “The owners recognized they could create a premium-quality energy drink that tasted good at an affordable price. They developed a recipe and, at a tasting, someone described it as ‘hellishly good.’ That gave the brand its name and, within four years, it was market leader in Hungary.” The quality of its products is reflected in the fact that they contain only top-quality ingredients. “For example, we don’t use artificial sweeteners, only best-quality granulated sugar as this ensures real energy and, unlike some competitors, the shelf life of our drinks is thanks to pasteurization not artificial preservatives,” he stresses. In addition to quality, HELL’s products are characterized by innovation. Every year, new products are launched to meet the needs of different audiences. Today, the range that is almost exclusively packaged in aluminum cans includes energy drinks with varying levels of caffeine, beverages for active lives, milk-based energy coffees and other functional products, all made in Hungary’s manufacturing in the international spotlight: HELL ENERGY

Another reason HELL stands out is that it is a fully integrated vertical company. “We are still-sufficient: we do our own canmaking, filling, warehousing and logistics. No other soft and energy drink manufacturer in the world has these capabilities,” Csereklye says. The company built its first filling factory in northern Hungary in 2010. Since then, it has invested over €280 million in expanding its facilities in order to keep up with the exponential growth in demand and reliably guarantee the highest production standards. Today, it boasts three ultra-modern high-speed filling factories. The first two of these can fill nearly 3 billion cans a year and are fitted with cutting-edge equipment from Germany’s KRONES. In September, Hungary’s Ministry of Finance cut the tape at the opening of HELL’s third filling factory, a 13,000 square-meter facility that can produce 50,000 cans of premium energy coffee an hour using Hungarian milk. A previous milestone came in 2017, when HELL opened Hungary’s first canmaking plant with the help of U.S. leader Stolle Machinery. Already one of the largest of its kind in the world, its capacity is set to double in

HELL ENERGY launches at least four new products every year

2021. “We have also invested in the most modern technology for warehousing and logistics—there are only three other factories in Europe that have our kind of wall-to-wall production. We strive for excellence in terms of best-practice manufacturing: our factories are certified to the highest level in our sector,” FSSC 22000, and we have received many industry awards,” he reveals. HELL is also leading the global sector toward circular economies and sustainability. In June, it signed a contract with Norway’s Hydro to move production of its drinks into cans made of CIRCAL75, the world’s greenest aluminum, according to Csereklye. “It contains at least 75 percent recycled post-consumer scrap and we are the only beverage company in the world using this very environmentally friendly material. By utilising CIRCAL75, as well as advances we have made in reducing can thickness, we are decreasing our carbon footprint by 60 percent.” 5 percent of HELL’S products are currently packaged in polyethylene terephthalate (PET) bottles but it has committed to reducing this to 1 percent in favor of aluminum. “It has clear advantages: its infinite recyclability, longer shelf life and cost efficiency, while PET is a root cause of many global environmental problems. As a multinational, we want to make a difference by creating the best possible solutions, not only for the company but also for our environment and society,” he concludes.
Debrecen: Hungary’s investment hotspot

Bordering several countries, Debrecen is a vital economic, educational, cultural and services hub.

With 220,000 inhabitants Debrecen positions as Hungary’s second-largest city and a fast-growing investment and manufacturing base. Over the past seven years he’s been in power. Mayor Dr. László Papp has seen an impressive amount of foreign direct investment (FDI) flock to the city, including world-class names like BMW, which is building a €1-billion assembly plant near the city. Debrecen is a genuine success story that epitomizes the investment narrative of Hungary, as Papp explains.

What are some of the unique flavors or attributes of your city? How does it stand out in Hungary, as well as in the wider region?

Debrecen has twice been the country’s temporary capital and has grown in importance over the last two decades, when we placed great emphasis on urban development, infrastructure and quality of life. I became mayor in 2014, with the goal of strengthening the economic position of the city, that was my priority. The past seven years have been about building our economic development strategy, with more than €2.2 billion of working capital coming here and 8,000 jobs created.

What are some of the major developments that have taken place in Debrecen since you took office?

In addition to BMW, we’ve attracted significant investments and, despite the pandemic, have maintained the pace of FDI, with €180 million secured from Chinese company Sercos. The firm produces batteries for electric vehicles, while Swiss sensor maker Sensirion also announced investment here. One of the reasons Debrecen attracts such investment is our authenticity, which is an important value for us. Traditionally, we’ve invested in industrial development but, in line with the government’s priorities, we’ve also made significant investment in education in recent years.

“The race for FDI is won in the classroom; this means our education system is centered on the economy and fiscal matters. We adopted a massive education development strategy in 2015 and now count over 72,000 students.”

Dr. László Papp, Mayor of Debrecen

The human resources question plays a central role in the negotiation with prospecting foreign investors. In fact, Debrecen adopted a massive education development strategy in 2015 and now counts over 72,000 students, a number that is still growing. We believe the race for FDI is won in the classroom; this means our education system is centered on the economy and fiscal matters. We also have an English-language IB international school, the International School of Debrecen, which provides education from kindergarten to the high school diploma program. In 2022, Döntés Schulz, the only German-language school in the region, will open its doors.

A second element central to our strategy of attracting investors is our focus on industrial infrastructure. One of my first decisions as mayor was the development of industrial infrastructure, with the city acquiring 1,000 hectares of industrial area—75 percent have acquired investors already. This is a huge competitive advantage in our negotiations and means we offer fully developed industrial areas, with all public utilities and infrastructure available.

Debrecen is close to several countries, how good is your transport infrastructure and regional interconnectedness?

Debrecen is the only city in Hungary that has direct motorway connections in all directions of the compass. In addition, we have an international airport that has enjoyed strong growth in recent years. Other significant transport development projects include rail connections built in relation to the big industrial investments.

How will you rebuild the tourism sector post-COVID-19, and how do your plans to stamp the city on the maps of national and foreign visitors? Debrecen and its wider region are an interesting tourism destination, with historic wine regions, wonderful rivers and the proximity of the Carpathian Mountains. Our conviction is that the wider region must adopt a common tourism development strategy and that Debrecen, with its international airport, should serve as gateway to the region. In addition to natural tourism motivated by sightseeing, mountains, national parks and so on, Debrecen also has tradition in the field of economic tourism, including conferences. As a university town, it has served as venue for several major international conferences in the past.

What is your final message to conclude this interview?

Debrecen is the city of the future in Central Europe. The Financial Times has twice selected us as the continent’s small city with the best FDI strategy. We are very proud to use this title. This year, we ranked second in that same competition, the first time a city has retained a place on the podium. We are on a stable growth path, with an excellent economic and educational ecosystem and a good quality of life.

Energy: Objective decarbonization

Hungary’s strategy for energy looks to balance the needs of the climate with those of the economy.

In line with its partners in the European Union (EU), Hungary aims to reduce its greenhouse gas emissions by 40 percent by 2030, while a commitment to becoming climate neutral by 2050 was enshrined in law last June.

But with 60-70 percent of its power currently coming from imported hydrocarbons and electricity, the government’s energy strategy has three additional targets: security, independence and competitiveness. To meet all its goals, the country is phasing out coal and investing in decarbonized energy.

“Hungary performs well when it comes to emissions; we don’t emit our full quota,” points out Zoltán Kovács, Secretary of State for International Communication and Relations, and International Spokesman for the Cabinet Office. “Nuclear energy plays a major role in this. We believe the EU’s climate goals can’t be met without it and are extending the lifespan of Hungary’s existing nuclear plant. Solar will be the second leg of Hungary’s energy strategy and the necessary investment environment is being created accordingly.”

The country’s photovoltaic capacity grew from 300 MW in 2017 to 2 GW in 2020. The ambition is to raise that to 12 GW by 2040, with the government supporting this through attractive tenders for large projects and the introduction of subsidies for households this year. To integrate this vast quantity of renewable energy, the country is modernizing its grid networks.

Decarbonization is also being encouraged through programs for energy efficiency, electromobility and green heating, which are being accelerated by innovative operators, such as oil and gas giant MVM Group, state-owned utility MVM Group and multinationals like E.ON. However, gas will continue to be important for flexibility and back-up capacity. Part of the country’s strategy with this fuel is to gain security by diversifying away from Russia and a few other suppliers. A major step toward this was made in September, when MVM signed an agreement with Shell that will see Hungary get 10 percent of its future gas needs from Norway’s new liquefied natural gas terminal.

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Beyond fuels for a low-carbon world

Leading oil and gas companies are ensuring their long-term future by transforming their activities in a rapidly changing environment.

The golden age of the traditional hydrocarbon business model came to an abrupt halt in 2020, according to many industry pundits. The pandemic caused global demand for oil to temporarily drop, in Central and Eastern Europe (CEE) by up to 40 percent, causing already low crude prices to plummet further. But the longer-term problem for many oil and gas companies is that governments started speed to rise more to a low-carbon future. The European Union, for example, launched its €750 billion recovery plan in July 2020 that will be invested fully in line with the 2050 net-zero goal of the Green Deal (budget for the 2021-2027 period). However, some firms at the forefront of the industry are proving remarkably resilient to these changes. They are the ones that had already introduced plans to transition their models toward a world demanding less fossil fuel, which they accelerated in 2020.

Among the first to recognize and act on the need for transformation was Hungary’s biggest corporation, MOL Group. In 2016, the fully integrated oil and gas giant with a market capitalization about $5.6 billion started to implement its 2030 strategy to start to transition for the future, which we had predicted that demand for hydrocarbons would eventually drop. We knew the time was coming when we would see more and more pressure coming from regulators, investors, consumers—practically the whole of society—for a change to a more environment-friendly world. We forecast a 30-35 percent demand drop for the 2040s. Although we knew this time was coming, we could not have imagined that it would already have arrived by 2020. We need to speed up the green energy transition and, while many other oil and gas companies have said this now, MOL has taken concrete action in the right direction over the past five years. However, in some areas the speed of MOL’s transformation has to be even faster and deeper than we thought five years ago.

As part of MOL’s 2030 strategy, you are looking to reduce priorities from fuels to chemicals and fuel to consumer-goods retailing, as well as at entering new sustainable business areas, for example. What recent progress has been made in these areas and how has your strategy developed since 2016?

Zsolt Hernádi, Chairman and CEO, MOL Group

Below, chairman and CEO Zsolt Hernádi provides an update on MOL Group’s ongoing transformation. But first, what is his view on the outlook for the global oil and gas industry?

While most experts predict recovery and a return to pre-crisis economic performance by 2022 or beyond for most, in our industry the golden age isn’t coming back. That’s over and far deeper transformations will happen very soon throughout the industry. In 2016, when MOL issued its 2030 strategy to start to transition for the future, we had predicted that demand for hydrocarbons would eventually drop. We knew the time was coming when we would see more and more pressure coming from regulators, investors, consumers—practically the whole of society—for a change to a more environment-friendly world. We forecast a 30-35 percent demand drop for the 2040s. Although we knew this time was coming, we could not have imagined that it would already have arrived by 2020.

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Zsolt Hernádi, Chairman and CEO, MOL Group

In a normal year, there is a natural hedge between our upstream and downstream activities: if the price of crude oil goes down, the margins in downstream are increasing and vice versa. So we want to keep a leg as upstream activities to retain this hedge. On the other hand, we want to reinforce our downstream presence in South and Central Europe. The petrochemical and retail sectors have a great future, so we want to be present in these markets, extending our value chain, increasing profitability and efficiency, getting closer to consumers and providing them with more services.

The world has just entered what may be another tumultuous year. As a business leader, how would you advise others to approach it?

Historic times sometimes need historic decisions. The first thing to do is focus on educating and using our talented people, as they are the only really valuable thing an economy can have. The second thing is that we have to have a different understanding of what globalization means. As a company leader, you have to be responsible for those working in your company, for the customers that are buying your products and using your services, for your investors and for all the communities affected by your activities in any way.

In December, MOL opened a new polyolefin production plant is 70 percent complete. MOL plans to cooperate with several Hungarian universities and independent research institutions on projects at this facility. Why have you chosen to engage in these collaborations?

In our R&D generally we need as much close cooperation with universities as possible. Luckily, the policy of the Hungarian government aligns with this and it is pushing universities to collaborate with big industry players. The universities have the role of bringing in the latest knowledge, trends and technologies. Today, you can’t be sustainable without profit and you can’t be profitable without sustainability. They go hand in hand and, in the future, will only be more intertwined. With that in mind, we are cooperating with several universities. This is the way forward for us.

How important is the group’s high level of integration to its future?

The resilience of MOL’s performance in 2020 was definitely thanks to our diverse portfolio. In a normal year, there is a natural hedge between our upstream and downstream activities: if the price of crude oil goes down, the margings in downstream are increasing and vice versa. So we want to keep a leg as upstream activities to retain this hedge. On the other hand, we want to reinforce our downstream presence in South and Central Europe. The petrochemical and retail sectors have a great future, so we want to be present in these markets, extending our value chain, increasing profitability and efficiency, getting closer to consumers and providing them with more services.

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Local power industry bets on renewable and nuclear sources

Hungarian utilities are driving Central Eastern Europe’s transition to electricity and natural gas systems that are cleaner, more reliable, secure and smart.

With half of its electricity coming from non-polluting nuclear energy, 23 percent from comparatively low-carbon gas and 12 percent from renewables, Hungary emits fewer greenhouse gases than most in Europe. But the nation wants to clean up further by phasing out coal that contributes 15 percent of its power by 2030.

This plan is being spearheaded by MVM Group, Hungary’s biggest utility and third-largest company. State-owned MVM is a dominating presence throughout its domestic electricity and natural gas value chains, in both of which it is the market operator, the main wholesaler, an important retailer and has responsibility for distribution infrastructure. Also in its portfolio are the electricity transmission network, substantial gas storage facilities and 3,800 MW of generation systems that include the country’s nuclear plant, Paks. Nuclear will continue to play an important role in electricty, says György Kóbor, MVM’s chairman and CEO. “We believe it’s essential for a successful carbon-neutral transition. We won’t necessarily expand its capacity, but will maintain it and are currently building two replacement power units at Paks.” Instead, the gap in capacity caused by closing coal will mainly be filled by solar. “Hungary’s all installed photovoltaic capacity is 1 GW today and the vision is to reach 9 GW. MVM aims to capture a significant share of this. By 2025, MVM will be a carbon-neutral energy and infrastructure company.”

György Kóbor, Chairman and CEO, MVM Group

To help implement its bold growth strategies, the group is readying itself to raise funds from European capital markets, one step of which will be the launch of a new, unified MVM brand image across all the group’s companies and markets this year. “We are well on track to achieving one of the highest levels of financial and economic maturity, which is to bring MVM Group to the next level and attract independent investors. There has never been a more exciting time to work in the energy industry and I’m very enthusiastic about the future,” assents Kóbor.

150 years, gas and electric supply has stayed the same. That has to change and innovation is a central focus for MVM.”

Much of its innovative endeavors are targeted at expanding its value chains. It is a frontrunner in Hungarian electric-vehicle charging and beyond-the-meter services, for example, and is growing its interests in areas like gas as a transport fuel, telecommunications and construction. It is also expanding an already substantial international presence, with the 15th largest company in Central Eastern Europe having operations in 18 countries. In addition to organic growth, the group will invest up to EUR 5.5 billion within five years in regional acquisitions to become one of Europe’s top 10 energy companies. Its commitment to this goal was demonstrated in 2020 when it acquired Innogy CR, Czechia’s leading natural gas retailer. MVM is developing its gas business throughout the region, Kóbor reveals. “Our Hungarian natural gas storage capacity is the largest of its kind in the region and we have excellent connections with all our neighbors to provide them with backup security and flexibility. We are also building our regional wholesale supply model and have booked significant capacity in Croatia’s new liquefied natural gas hub.”

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MVM Group currently has solar capacity of 165 MW in Hungary.
Embracing revolutionary changes in energy
Smart grids, energy storage and sustainable customer solutions are future-proofing Hungary’s power networks

Hungary’s electricity and gas services saw radical modernization in the 1990s when privatization of retail and distribution systems encouraged innovative multinationals to invest in the country. One was Germany’s E.ON, which continues to be a key player in the Hungarian energy sector’s development. “Today, E.ON Hungária plays an active role in electricity and gas distribution by operating smart grids, and offering its customers smart solutions and commodity energy,” states Kiss. “It’s a huge privilege that we currently serve more than 4.6 million customers in the country. In terms of our grid responsibilities, we are the energy provider in the western and central part of Hungary, operating more than 120,000 kilometers of power networks—that’s a third of the length of the republic,” says CEO Attila Kiss.

Over the years, E.ON has shown a commitment to contributing to Hungary’s economic success, he asserts. “Our goal is to be partners of the people. We have a strong international background but E.ON Hungária is very Hungarian as well. All our 6,000 employees are Hungarian.” Its commitment was evident during the COVID pandemic, when, among other things, the company introduced a moratorium on shut-offs for hard-up households, providing charitable support we provide being sustainable and energy conscious. E.ON Hungária is investing heavily in innovative projects that will create this distribution platform. Having installed Hungary’s first grid-scale storage facility, it has started work, on the largest network initiative Hungary has seen in decades: the Danube InGrid project. Partially funded by the European Union (EU), this will bring more smart solutions into its electricity network, allowing extra renewable energy to be connected. In another program co-financed by the EU, IElectrix, E.ON is adding mobile storage to the grid for faster integration of renewables. Kiss highlights a third grid innovation. “Artificial intelligence-aided cameras on drones and cars can now monitor our grids and identify failures the human eye would miss.”

As well as supporting Hungary’s clean-energy goals, E.ON has its own ambitious sustainability targets. It wants to be carbon neutral by 2040 and to reduce its scope 1 and 2 greenhouse gas emissions 100 percent by the same time, with its scope 3 emissions dropping to zero by 2050. “These targets are the minimum we aim to deliver. We want to be at the international forefront in this and are driving sustainability topics in Hungary,” claims Kiss.

“Currently, there are 20,000 electric cars on Hungary’s roads. We have a strong position in the market and are installing more chargers every year. We also offer e-fleet services and were the first to introduce an e-scooter sharing system in the country. I expect this market to develop fast and we would like to play a significant role in it.”

“The firm is also spearheading innovative end-user solutions covering areas like customer care, photovoltaic systems, e-mobility and integrated energy services. For instance, its unique digital app, Drive.ON, lets people search, book and pay to use its network of 120 countrywide electric-vehicle chargers. “Currently, there are over 20,000 electric cars on Hungary’s roads. We have a huge privilege that we currently serve more than 4.6 million customers in the country. In terms of our grid responsibilities, we are the energy provider in the western and central part of Hungary, operating more than 120,000 kilometers of power networks—that’s a third of the length of the republic,” says CEO Attila Kiss.

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Agriculture: A sector under revamp

Hungary’s fertile soil and favorable climate makes it ideal for growing many cash crops for export

Hungary’s agriculture is rich, diversified and export-oriented, utilizing nearly 60 percent of its entire territory for crops like wheat, corn, sugar beet, barley, potatoes and sunflower seeds. The industry is dominated by small and medium-sized enterprises, which blend decades of tradition and knowledge with a growing adoption of technology and machinery, but shun genetically modified crops.

Between 2010 and 2019, agricultural exports increased by 60 percent to €9.3 billion. Around 89 percent of Hungary’s total food production is transported elsewhere in the EU, mainly to Germany, Romania, Italy, Austria and Poland, but producers are looking to extend their reach. Since 2015, the government has injected about €1.3 billion into the food industry. “We are strong in grains and oil-seed production, but year on year these products represent a declining proportion of our agricultural exports, because we have invested effort in strengthening our country’s processing background,” explains Zsolt Feldman, State Secretary at the Ministry of Agriculture. “Our ambition is to strengthen the share of our high-value-added products, to diversify into other markets and to boost exports to other countries beyond the EU.”

The official acknowledges that while his country is not as specialized as many of its European rivals, it is very broad ranging in its structure. Besides, the sector has improved its processing capabilities so that—unlike in former decades—farmers are not only exporting basic products, but are also processing them to an extent not seen before.

“New technologies, digitalization and precision farming are fundamental to boost agricultural efficiency and enable more environmentally friendly production. Hungary was perhaps the first country in the EU to prepare a strategy for the digitalization of its agriculture. We are now preparing the concrete projects and taking specific steps to move forward in this field.”

Hungary’s leading agricultural conglomerate is Bonafarm, a big-league player at the European level and a regional innovator with state-of-the-art food processing plants. “Our overall export ratio is 25-30 percent,” says Attila Csányi, CEO of Bonafarm Group. “We want to increase our pork meat exports in the EU, and in the long term gain market share in Japan and China.” Meanwhile Hungary’s sparkling white wines have achieved popularity and market share in many countries. The industry trailblazer Törley Limited has even become the number one sparkling wine seller in Quebec, Canada, ahead of its numerous competitors. “Our founder's motto was ‘quality and tradition’ and we have always stuck to that. It will also guide our future,” says György Kovács, managing director of Törley.

Between 2010 and 2019, we achieved one of the strongest agricultural performances in the European Union (EU), with our wide-ranging output increasing by 31 percent and exports by 60 percent to reach €9.3 billion,” states State Secretary for Agriculture Zsolt Feldman.

“Even so, there is huge untapped potential secured by the size of our arable land, we have more water than we use, production here is cheaper, we have strong expertise, tradition in the field and a focus on quality. Hungary could easily feed 20-30 million people and yet there are only 10 million living here, so we can feed the surrounding countries as well,” asserts Szabolcs Makai, CEO of Talents Agro Group, the country’s largest farming opera-
tor. And a great illustration of how the sector is developing. Part of Mészáros Group, a substantial Hungarian conglomerate, Talents Agro Holdings was established in 2018 but the 40 companies under its umbrella have long history and solid reputation. “We are essentially focused on commodity production, including meat, milk, eggs and crops,” Makai summarizes. With 20-years experience at global giant Cargill, Makai was brought in as CEO to leverage local know-how alongside his expertise to boost efficiencies and develop more international sales, he notes. “Our aim is to become a Hungarian multina-
tional player and we’ve been successful so far. After only one year, the group saw natural growth, efficiencies and yields up, and 2020 profits will be even better.”

Animal husbandry is an area where Hungary has particular advantag-
es, he explains. “Our raw materials like corn, wheat and sunflower are the cheapest in the EU, and, thanks to our fattening capacities, we can produce the cheapest meat. That’s an opportunity for investors: raise piglets in the Netherlands or Germany, for example, and transport them to Hungary to feed.”

An expanding and diverse food basket for Europe

Hungary’s major agricultural players are leading a transformation in farming efficiency through the introduction of advanced practices

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Szabolcs Makai, CEO, Talents Agro Group

Talentis Agro posted €62 million in revenue and a €11-million profit in 2019

It farms 45,000 hectares of land

It is responsible for over 7,500 dairy cows, 2,000 pigs and 300,000 laying hens

It produces about 65-70 million liters a year. As is the case on all of its livestock farms, the group combines traditional breeding experience with modern digital production and hygiene systems, while animal welfare and health meet the highest EU standards. Its top-quality milk, therefore, is much in demand and 50 percent is exported, mainly to Italy, while some goes to the group’s new premium cheese factory. Thanks to excellent breeding and rearing skills, Talents Agro is also prominent in the premium pork market, raising white pigs and the renowned local mangalica variety. Additionally, its laying hens generate 65 million eggs a year in a highly mechanized, computer-controlled system. Talents Agro ensures livestock quality by producing tailor-made feeds from crops grown on its own lands. In addition to animal husbandry, its corn, wheat and sunflower harvests are used in seed production and food processing at its mills and bakery. While Hungarian crop yields in general still lag behind some in Europe, the group has capitalized on new technologies to cultivate above the average. For example, its laboratory with state-of-the-art equipment providing about 65-70 million liters a year. As is the case on all of its livestock farms, the group combines traditional breeding experience with modern digital production and hygiene systems, while animal welfare and health meet the highest EU standards. Its top-quality milk, therefore, is much in demand and 50 percent is exported, mainly to Italy, while some goes to the group’s new premium cheese factory. Thanks to excellent breeding and rearing skills, Talents Agro is also prominent in the premium pork market, raising white pigs and the renowned local mangalica variety. Additionally, its laying hens generate 65 million eggs a year in a highly mechanized, computer-controlled system. Talents Agro ensures livestock quality by producing tailor-made feeds from crops grown on its own lands. In addition to animal husbandry, its corn, wheat and sunflower harvests are used in seed production and food processing at its mills and bakery. While Hungarian crop yields in general still lag behind some in Europe, the group has capitalized on new technologies to cultivate above the average. For example, its laboratory with state-of-the-art equipment
**High-quality local food brands attract consumer loyalty**

Until recently, Hungarian supermarket shelves were totally dominated by imported labels. That’s changing, as domestic food processors capitalize on the country’s great ingredients to create products that whet the nation’s appetite.

The Hungarian food industry is evolving, with strong brands gaining market share from still international competition. At the front of this trend is Alföldi Tej, Hungary’s second-largest dairy business and an important pillar of the food sector. Established in 2003 by around 80 farmers that own the company, it is one of the country’s top-500 companies in terms of turnover, with revenues exceeding €157 million per year. CEO Mónika Rózsás explains why Alföldi Tej products have captured Hungary’s taste buds.

We have built two very strong brands by using high-quality materials from Hungary. Magyar—which translates as “Hungarian”—is aimed at the whole population and is a market leader for basic dairy products. Riska, on the other hand, is targeted at younger people and children. We only process Hungarian milk and have two production sites, one in the city of Székesfehérvár in West Hungary and the other in the eastern region of Debrecen. Our farms collect over 700,000 kilograms of milk every day, from which we produce foods such as fresh and UHT milk, cream, butter, yoghurt, traditional quark, sour cream and the popular Hungarian cheese: Trappista. Most of our products are sold domestically and can be found on the shelves of almost all retail chains. The quality of our goods has brought international accolades. For example, we have seven awards from Superbrands, the world’s largest arbiter of brand strength.

One of the secrets of our success is that we produce products that best suit Hungarian tastes, while constantly looking for opportunities to create an even wider range of products. That’s why we bought global dairy company FreilandCampina’s production plant in 2015 and the size of our investment in it stands out in the Hungarian food industry. On the foundations of this old facility, we have built Central Eastern Europe’s newest and most-modern cheese and drying plant. Its automated cheese production line is suitable for making Gouda-type cheese as well as Trappista, but we are focusing on the latter for now as it accounts for 70 percent of Hungarian cheese consumption. Reaching our annual capacity of 8,000 metric tons would be enough to capture a seventh of the country’s Trappista imports. We are proud that, a short period following its launch, our was named number one in an independent blind test of Trappista cheeses available in Hungary—I would encourage everybody to try it. We are also able to create other high-value-added products at Debrecen, with the milk and whey powders generated by our automatic, energy-efficient drying plant being mainly sold to export markets, which enables us to reach customers that use our high-quality powders in their special productions, such as infant formula milk powder or sport nutrition products.

How would you rate the current competitiveness of the Hungarian food processing sector overall in terms of innovation and technology?

In my opinion, innovation in today’s food industry is primarily about conscious food consumption, chemical-free products, waste-free manufacturing technologies and sustainability. Hungry used to be significantly behind in food innovation compared to the rest of the European Union and getting ahead required many things from all players, including government, private companies and consumers. Similarly, the technological quality of the manufacturing industry was behind. In the medium term, developments that guarantee automation, environmental load reduction, efficiency and energy saving are a priority. Having said that, there has been significant investment in dairy manufacturing and almost all of the country’s large dairy plants now use modern technology. However, Alföldi Tej remains at the forefront of the market because it innovates simultaneously in its products, manufacturing and technology. With the support of the government, our investments have also guaranteed automation, environmental load reduction, efficiency and energy saving are a priority. Having said that, there has been significant investment in dairy manufacturing and almost all of the country’s large dairy plants now use modern technology. However, Alföldi Tej remains at the forefront of the market because it innovates simultaneously in its products, manufacturing and technology. With the support of the government, our investments have also guaranteed automation, environmental load reduction, efficiency and energy saving are a priority. Having said that, there has been significant investment in dairy manufacturing and almost all of the country’s large dairy plants now use modern technology.

Alföldi Tej’s state-of-the-art factory in Debrecen is fully automated.

**“Alföldi Tej remains at the forefront of the market because it innovates simultaneously in its products, manufacturing and technology.”**

Mónika Rózsás, CEO, Alföldi Tej

**A rooted tradition of animal breeding**

The agricultural sector’s impressive growth is not restricted to arable farming and dairy operations: meat processing is also a big part of it.

With global demand for food maintaining a strong upward trajectory, ensuring safe, quality meals and ingredients reach people’s plates is an important round-the-clock task that requires more than standard arable and pastoral farming activities.

As one of Hungary’s largest pork processing companies, Komet99 produces and sells a wide variety of world-class elaborate products enjoyed by meat lovers in dozens of countries. Combining Hungarian tradition with Italian know-how, the firm is a highly responsible operator that is genuinely committed to sustainability, with its 80 workers fully adhering to its vision of providing unmatched quality and customer appreciation.

According to Komet99’s dynamic CEO, Giacomo Pedranzini, a great amount of the company’s success over the past two and a half decades can be attributed to Hungary’s natural and human resources as well as its favorable location at the heart of Europe. “For agriculture and food production, Hungary is a paradise,” states the senior executive. “It offers a large territory, fertile soil, abundant water, and stable and favorable weather. It also has an excellent geographical position that we use to trade with all of Europe.”

“Komet99 has been operating in Hungary since 1994. We are a pork-meat processor, working all along the value chain, starting with the slaughtering and ending our activity with fresh meat products, prepared in a protected atmosphere or with cold cuts sliced and pre-packed, ready for the shelves of the supermarkets—and all under one roof. The density of animal breeding is still quite low here, especially compared to other European countries, like the Netherlands, Denmark or Germany. In the coming years, we expect the production of pig breeding will move step by step from these western countries towards Central Europe.”

Pedranzini is quick to highlight some of the key factors in his firm’s solid performance, noting Komet99 has capitalized on its Italian experience and know-how in meat processing, and combined it with the Hungarian tradition of animal breeding and local expertise. “In the last six years, we have more than doubled our annual turnover to over €150 million,” he states proudly. “After Hungary and Italy, we have strong market positions in Slovenia, Croatia and Germany, and export to 40 countries.

His firm is set to implement an investment project of nearly €100 million by 2026 to double production capacity and extend its control to the entire supply chain. “We will keep the same concept and want to promote an authentic agriculture and food production that guarantees a fair distribution of the profits all along the production chain while providing the final consumer good, healthy and affordable food.”

Giacomo Pedranzini
CEO Komet99

**We has no limits e-on Drive**

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Aviation sector shows resilience

The contraction in international travel has not fazed Hungary’s flagship low-cost carrier

The international aviation and tourism industries have certainly been some of the most affected by COVID-19, especially with governments’ successive lockdowns that have disrupted thousands of flights each month.

Unlike most of its competitors, ultra-low-cost airline Wizz Air not only kept many aircraft operational, but invested, expanded and even opened new routes, epitomizing the meaning of resilience in times of crisis, and giving hope for the sector. Cushioned by its high liquidity reserves, the company could withstand the downturn and adopt a longer-term view of the industry’s prospects, a stance that will place it at the forefront of the rebound when international travel returns to relative normality. Listed on the London Stock Exchange in 2015, Wizz Air’s share price has since quadrupled, with the carrier one of only a handful of airlines deemed worthy of an investment credit rating.

“Wizz Air is the lowest-cost producer in the industry in Europe. We produce a seat at the lowest cost, lower than any of our competitors, which is significant because short-haul flying is becoming a commodity increasingly, says its charismatic CEO and co-founder, József Váradi. “We fly the youngest fleet of aircraft of any airline in Europe—our aircraft’s average age is 4-5 years—and we are one of the very few airlines that continues to invest in its fleet, even during the COVID-19 period. In 2019, we carried around 40 million passengers, which makes us a mid-size airline in Europe. We are a pan-European business—we fly to nearly 50 countries—and have expanded to Asia, the Middle East and all areas of Europe.”

“Wizz Air post-COVID-19 will have a renewed, young, technology-based fleet, which means also lower costs of production. No one was really diversifying markets, but most of the time rather sticking to their home turf and grounding their capacity, but we have done a lot of diversification.”