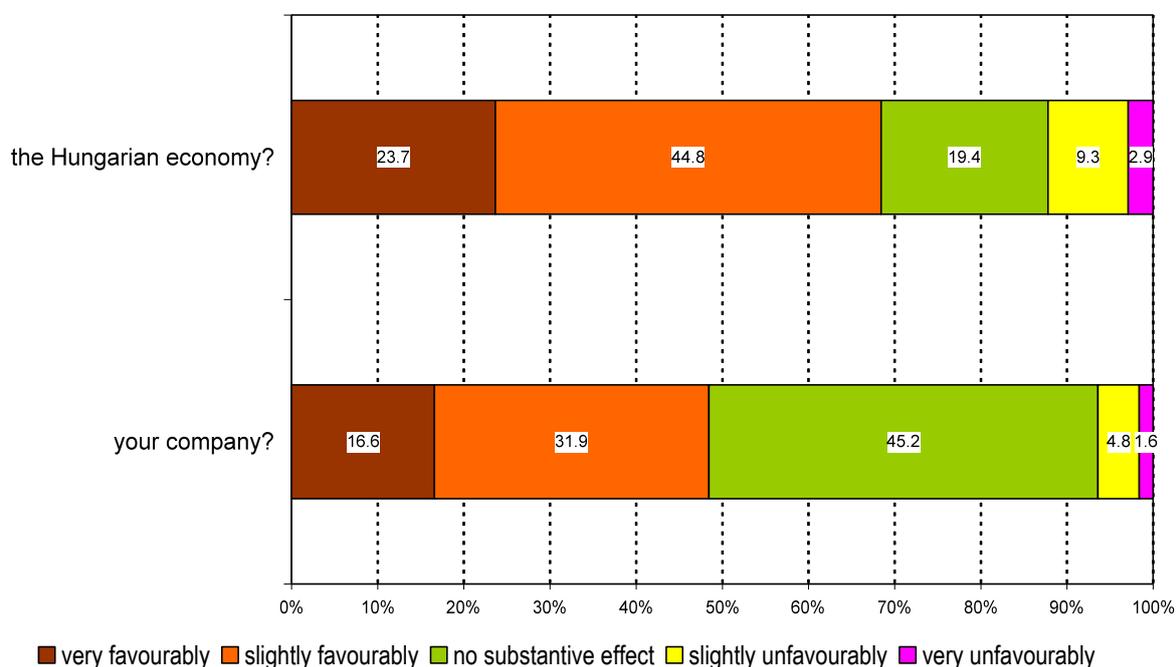


ALTHOUGH CHIEF EXECUTIVES APPRECIATE EU MEMBERSHIP, THEY ARE NOT TOO OPTIMISTIC

In May 2014 GKI Economic Research Co. conducted a representative survey of companies in manufacturing, construction, trade and business services. 1004 company executives were asked about Hungary's EU membership and the prospects for the period until 2020. GKI conducted a similar survey in the beginning of 2005, inquiring about the prospects until 2015.

In your opinion, how Hungary's EU membership affects the development of



According to the survey, Hungary's EU membership has **clearly** had a **positive** impact on the **corporate sector**. Half of the companies (49 per cent) experienced positive effects, and only 6 per cent of them reported the dominance of disadvantages. The remaining 45 per cent did not perceive either positive or negative effects deriving from Hungary's EU membership. (In the 2005 survey the expectations of company executives were more modest. At that time 31 per cent of them anticipated favourable, 33 per cent neutral, and 36 per cent unfavourable effects.) According to the results of the present survey, the larger the company, the more successfully it can take advantage of the benefits of EU membership. 77 per cent of large enterprises with more than 250 employees experienced positive effects, and only 4 per cent of them perceived negative ones. The same rates among companies with between 51 and 250 employees were 62 and 2 per cent, and among companies with less than 50 people 42 and 8 per cent, respectively. Hungary's EU membership had the slightest effects on the smallest firms: almost two-thirds of companies with less than 11 employees did not feel the effects of integration at all. As far as economic sectors are concerned, the most positive effects were experienced in industry: the strongest ones in building materials production (88

and 0 per cent) and engineering (72 and 2 per cent). In addition, the IT sector can also be mentioned here: 80 per cent of the companies reported positive impacts, whereas none of them experienced unfavourable effects. The most negative effects were reported by companies working in the manufacturing of leather products (20 per cent) and in transport, storage and logistics (15 per cent).

As far as the **Hungarian economy in general** is concerned, the responses are even more favourable. According to 69 per cent of the respondents, EU membership is more or less beneficial for the Hungarian economy, and only 12 per cent of them said that it is unfavourable. Opinions on the effects of European integration on the development of the company and the national economy are intertwined with each other. 92 per cent of companies mentioning positive impacts of EU membership on their own business also said that it is beneficial to the Hungarian economy as a whole. 64 per cent of those mentioning negative effects on their own companies said that EU membership is rather disadvantageous for the whole economy.

There is a great uncertainty regarding the development opportunities in the **period up to 2020**, and **expectations are highly dispersed**. According to the relative majority of respondents (42 per cent), the difference in per capita gross domestic product between Hungary and the EU average will remain at its current level until the end of the decade. 32 per cent of them expect the narrowing of this gap, whereas 26 per cent its widening. These data do not reflect serious optimism. Respondents in the 2005 survey, however, were still very optimistic: 61 per cent of them predicted the narrowing of the gap, 25 per cent expected no change, and only 14 per cent envisaged its widening. (In fact, the gap widened slightly until 2013.)

Sectors expected to grow fastest until 2020

Sector	Frequency of mentions (per cent)
Agriculture	38
Engineering	30
Construction	16
IT	14
Other manufacturing	13
Tourism	11
Business services	8
Trade	6
Energy sector	5
Financial services	5

According to respondents, almost two-thirds of the fastest growth opportunities until 2020 can be realised in the **productive sectors**, and one-third of them in services. Engines of growth after 2000 have essentially been the production sectors, and chief executives participating in the survey expect the continuation of this development path. This also means that the current government’s commitment to production is reflected in the survey results as well. (Of course, the classic question can also be asked here: what came first, the chicken or the egg?) Respondents of the 2005 survey still considered the growth potential of services more favourable compared with that of the productive sectors.

In the present survey, most respondents identified the agricultural sector as a potentially fast-growing sector. This may not be a coincidence. The government treats agriculture as a breakout point. The overwhelming majority of hungaricums are agricultural products. (However, the current economic importance and performance of the sector provides little reason for optimism.) This is followed by engineering, including the automotive industry, mentioned specifically by many respondents. In fact, this is a growing and developing area, a large part of industrial growth can be attributed to it in recent years. Construction is in the third place; after seven lean years it gathered pace last year. However, the big question is: what could be the long-term drivers of production? What can replace the currently thriving projects largely financed by EU transfers? IT is an extremely fast-growing sector, and major shifts are currently going on in the world in this area. Domestic players may profit from this as well. Within manufacturing, export-oriented industries unquestionably have growth potential. Inbound tourism has performed well recently due to the weak forint and the significant propaganda, and it may be able to develop in the future as well. Trade, energy and the financial sector can be found **at the end of the list**. They are the stepchildren of government, affected by a wide variety of restrictions and burdens.

The Top 10 list compiled on the basis of the 2005 survey also included transportation, logistics, research, development and innovation as well as environment protection. By now they all dropped from the list, obviously for different reasons. In particular, one of the most painful losses is the **absence of knowledge industry**. In the current survey only 2 per cent of respondents mentioned this area as having perspective (as opposed to 10 per cent in the previous survey).

Although the current government has no plans for **Hungary's introduction of the euro** until 2020, it could be interesting what chief executives expect from the adoption of euro. 42 per cent of them predict positive effects, and 14 per cent negative ones. (Otherwise, the ratio was almost exactly the same in the 2005 survey as well.) Adoption of the euro would be most favourable for industrial companies as well as medium-sized and larger companies.

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