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A TMF Group Briefing

Insight into Multi-Country Outsourced Services Trends: Hungary

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About this report

The information in this report is based on the results of a survey commissioned by TMF Group and conducted by professional research company, GfK.

Insight into Multi-Country Outsourced Services Trends sought to identify trends in outsourcing services in the Hungarian market, specifically related to global companies with operations in the country.

Our survey canvassed the views of 30 HR managers (CHOs) and 30 Finance managers (CFOs) active in local and international companies, operating in Hungary. They were asked to give their opinion on outsourcing and their intention to use external service providers to support accounting and tax, HR and payroll and corporate secretarial functions in their organisations. The survey was conducted in the second half of 2016.

Country overview

The Hungarian economy lost steam at the end of 2016, as GDP growth was held back by a slowdown in private consumption (1.2% growth rate in Q4). However the unemployment rate dropped almost 2%, reaching 4.3% towards the end of the year.

Focus Economics forecasts the Hungarian economy will increase 3.0% in 2017, spurred on by a planned 15–25% minimum wage hike, increased EU funding, a corporate tax cut to 9% (the lowest rate in the EU) and a solid labour market.

The RICS Commercial Property Monitor for Q4 2016 showed occupier and investor sentiment continued to be positive across the Central and Eastern European region (CEE). This has been the case for several quarters now, and indicators for Hungary are among the most upbeat both in CEE and globally.

Hungary's Ease of Doing Business classification is 41 out of 190 jurisdictions; 1 meaning the regulatory environment is most conducive to establishing and running local operations. The country moved one position higher in the classification compared to 2015's rankings.

1.2%
GDP growth rate
in Q4

↓ 2%
Unemployment rate
dropped almost 2%

↑ 3%
Focus Economics
forecasts the
Hungarian economy
will increase 3.0%
in 2017

¹ <http://www.property-forum.eu/news/czech-republic-and-hungary-outperform-rest-of-cee/481>

² www.worldbank.org

Insight into multi-country outsourced services trends – survey results

Financial performance

68%

of respondents working for companies in Hungary declared no increase in revenue in 2016

40%

of respondents said they outsource at least one service

3%

indicated they had additional support needs, such as tax compliance, or accounting and financial reporting (2%).

This translates into a lower interest in outsourcing compared to the other two CEE countries involved in the survey: Romania and Poland.

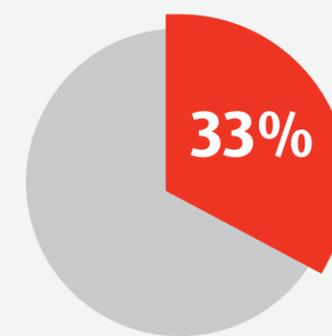
Challenges

53% of Finance managers in Hungary indicated that sudden changes in legislation were their main challenge. Just 20% of HR managers pointed to experiencing the same problem. 87% of CHOs said their departments are struggling to match the right talent to their company's needs, as many skilled Hungarians have sought work abroad.

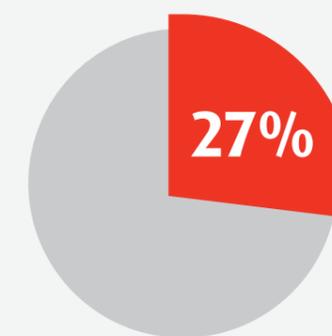
In 2016, a new client profiling system was introduced and it is expected to help better target labour market programs. These programs, primarily financed by the EU, aim to support long-term unemployed young people. The real impact of this new system may not be felt until the end of 2017.



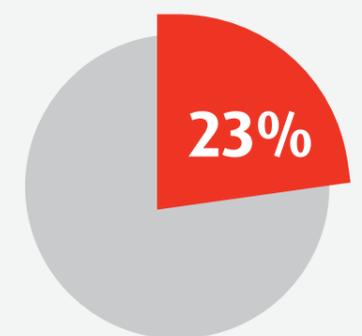
Motivations to choose outsourcing



HR practitioners are driven to outsource equally by adaptability to legislative changes and the need for more flexibility with internal processes



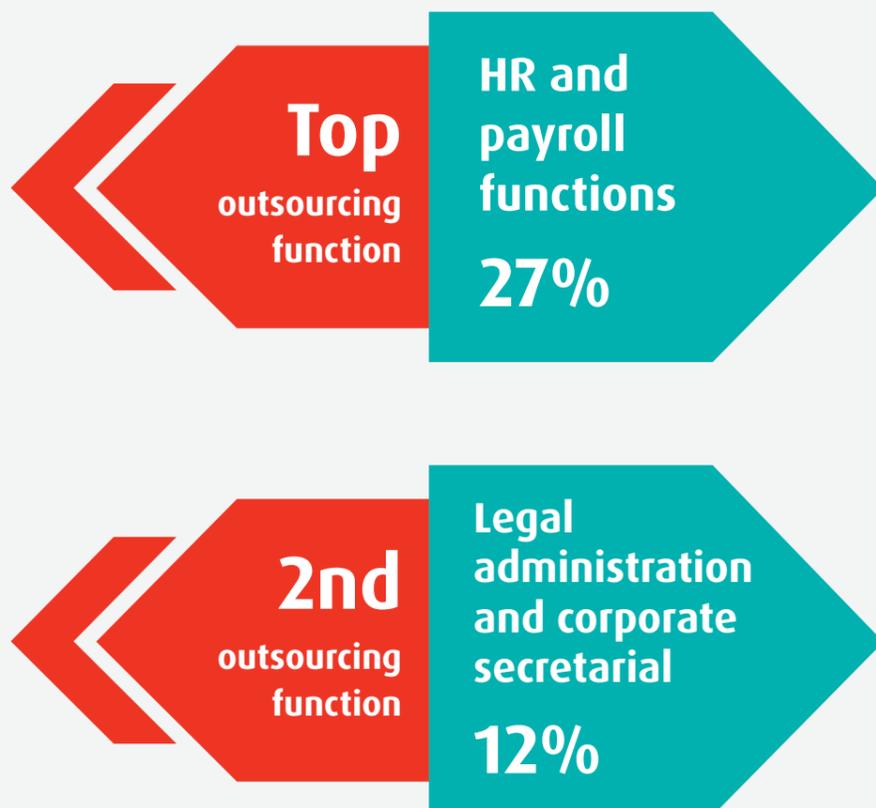
For CFOs, the driver to choose outsourcing is adaptability to frequent legislative changes



Their secondary motivation stems from dealing with high complexity, and the need for flexibility with internal processes

Volume of functions supported with outsourced services

Based on the motivations, it subsequently came as no surprise to find that HR and payroll is the top outsourced function (27%) in Hungary, followed by legal administration and corporate secretarial (12%). This can likely be attributed to those wishing to incorporate and register a new firm in the country; they face a long bureaucratic process and are required to hire a lawyer to represent their company.



Benefits of outsourcing

In terms of perceived benefits after turning to an outsourcing partner, our respondents answered:

They gain more time

to focus on their core departmental activities



45%

Appreciate the comfort of being relieved

of administrative burdens



42%

Conclusion

With its ideal geographic location in the heart of Europe, high-quality infrastructure and rich culture, Hungary is expected to continue to be an attractive destination for international companies looking for opportunities abroad.

Sudden changes in legislation and a talent shortage in some sectors can prove challenging for local Finance and HR managers, and many multinational companies understand the benefits and advantages of local expertise to support their HR, payroll and legal/corporate secretarial administrative functions.

Working with a third party provider can allow companies of all sizes across all sectors in Hungary to increase efficiency and refocus their internal resources on their core business. This in turn helps them to reach their full potential.

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About TMF Group

TMF Group is a leading provider of high-value business services to clients operating and investing globally.

We focus on providing specialised and business-critical financial and administrative services that allow our clients to operate their corporate structures, finance vehicles and investment funds in different geographical locations.

Our core services can help companies of all sizes with HR and payroll, accounting and tax, corporate secretarial, international corporate structuring and structured finance – whether a company wants to globalise, or needs support to streamline existing operations.

Present in the Hungarian market for more than 20 years, our 180-strong team in Budapest is supported by the latest technology, and a network of TMF Group offices in over 80 countries worldwide.

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About GfK

GfK is the trusted source of relevant market and consumer information that enables its clients to make smarter decisions. More than 13,000 market research experts combine their passion with GfK's long-standing data science experience. This allows GfK to deliver vital global insights matched with local market intelligence from more than 100 countries.

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Get in touch with us today:
hungary@tmf-group.com

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