

Location Spotlight – Hungary

June 2021: Complimentary Abstract / Table of Contents



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This report provides perspectives on key aspects of the global sourcing market in Hungary

Location Spotlight – Hungary

Hungary | at a glance



Established location in Central and Eastern Europe (CEE) with an attractive talent-cost proposition for multilingual global services delivery

KEY FACTOIDS

68,000-72,000 annual tertiary graduates

Annual operating cost per FTE
55-65% savings over tier-2 US (Dallas)
40-50% savings over tier-2 UK (Croydon)

Current overview

- With a global services market size of ~65,000 FTEs, Hungary is leveraged by both Global Business Service (GBS) organizations and service providers for delivery of IT (~35% share of headcount) and business process (~65% share of headcount) services
- Key locations for global services delivery in Hungary include Budapest and Debrecen
- Leveraged for multi-lingual (primarily English and German) delivery

Key drivers

- Availability of multilingual and high-quality entry-level talent pool, driven by robust partnerships with universities
- Mature market for delivery of multilingual BP services (especially non-voice)
 - Multiple players leverage Hungary to drive and support services such as F&A, budgeting, and HR
- Multiple government incentives such as relaxation in corporate tax rates, tax allowances, cash grants, and deductible R&D and training investments

Key challenges

- Some concerns around inflation levels and currency depreciation; however, limited impact on IT-BP sector
- High competition to acquire skilled talent, given presence multiple established global/regional players
 - High attrition costs pose some challenges for talent retention and management
- Relatively lower maturity of services delivery from tier-2/3 locations owing to concerns around modern infrastructure



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Location Spotlight – Hungary

Hungary | risk profile (page 1 of 2)

Stable geopolitical environment and availability of developed infrastructure; some concerns around macroeconomic stability

Highly favorable Favorable, some concerns Least favorable

| Parameter | Everest Group rating | Comments |
|----------------|--------------------------|--|
| Geopolitical | Highly favorable | <ul style="list-style-type: none"> While the country offers stable government and geopolitical regime at an overall level, some concerns were noted around the government's involvement in state institutions such as the judicial system, media, and central bank, which diminishes the independence and impartiality of these institutions; however, limited impact on IT-BP sector Hungary ranks 69th among 180 countries in the Corruption Perception Index 2020 making it a moderately corrupt country, however, progress has been made in tackling corruption and minimizing bureaucratic red tape to improve the business operating environment Ranked 55 out of 167 countries in the Democracy Index 2020 compiled by the Economist Intelligence Unit (EIU) |
| Macroeconomic | Favorable, some concerns | <ul style="list-style-type: none"> Standard & Poor's credit rating for Hungary stands at BBB with stable outlook Hungarian economy is an export-driven industrial processing economy, making it highly vulnerable to changes in global trade conditions (especially in the EU) Hungary's GDP contracted by ~5% in 2020 as a result of the impact of the global COVID-19 crisis; however, the GDP is projected to rebound by ~3-4% in the next two years Inflation levels are moderate, and Hungarian Forint (HUF) has been depreciating against Euro further increasing the cost competitiveness of the country for exports |
| Infrastructure | Highly favorable | <ul style="list-style-type: none"> Hungary possesses an excellent public transport infrastructure in terms of road, air, and rail network, providing excellent connectivity within the country and with multiple international destinations Hungary is ranked 27th out of 141 countries in the Global Competitiveness Index (compiled by World Economic Forum) for its infrastructure quality Ranked 39 out of 134 countries in the Network Readiness Index 2020 signifies a robust telecom and network infrastructure presence in the country |

Source: Everest Group (2021); United Nations Conference on Trade And Development (UNCTAD); EIU; WRR; doingbusiness.org; WEF; interviews with market participants

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Research calendar

Locations Insider™

■ Published
 ■ Planned
 ■ Current release

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| Location Spotlight – Lithuania | March 2021 |
| Location Spotlight – Cali Columbia | March 2021 |
| Global Locations State of the Market 2021: Embracing Uncertainties in a Disrupted World Risk Watch | March 2021 |
| Location Spotlight – Hungary | June 2021 |
| Global Locations State of the Market 2021: Embracing Uncertainties in a Disrupted World Key Trends Shaping the Landscape | Q2 2021 |
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| | Release date |
|--|---------------|
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