

FOCUS

HUNGARY

**ATTRACTIVENESS
SURVEY
2009**

ITD
HUNGARY

ERNST & YOUNG
Quality In Everything We Do

FOREWORD

- The CEE attractiveness survey 2009 was carried out by Ernst & Young between February and June 2009 for the Hungarian Investment and Trade Development agency (ITD Hungary)
- This report is based on Ernst & Young's unique approach, which highlights the key findings from the survey of 202 international business leaders and the analysis of actual FDI trends regarding the attractiveness of CEE in relation to its international competitors.

The Ernst & Young team

- As the investment promotion agency of the Hungarian Government, ITD Hungary commissioned Ernst & Young to produce a Hungary Attractiveness Survey for 2009.
- ITD Hungary has been so successful and effective in its 16 years of operation that the World Bank ranked it 14th in its Global Investment Promotion Benchmarking survey for 2009.

The ITD Hungary Team

KEY FINDINGS AT A GLANCE

REALITY

- Strong crisis impact on industrial sectors in CEE
- A changing competitive landscape in CEE
- Hungary is shifting towards services...
- ...but job creation still depends strongly on industrial sectors
- Logistics and R&D activities are competitively positioned within the region

PERCEPTION

- Hungary is perceived as a quality location relative to its international peers
- Hungarian R&D potential is undervalued
- Critical perception gaps exist between established / non-established investors
- Loyalty: 50% of existing investors plan to expand their operations in Hungary
- Investors are confident in the future progression of Hungary's attractiveness

AGENDA

- Methodology
- The reality of FDI in CEE and Hungary
- The perception of CEE and Hungary & their future attractiveness



“Perception & reality check”

AN IMAGE AND REALITY APPROACH

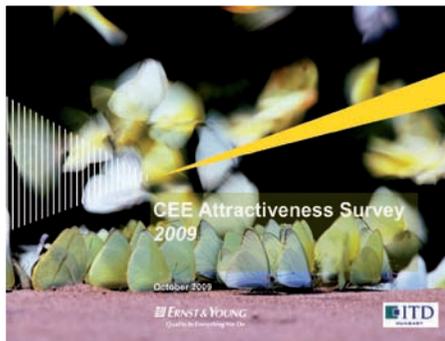


Image: 202 international business leaders interviewed by CSA research firm in 2009

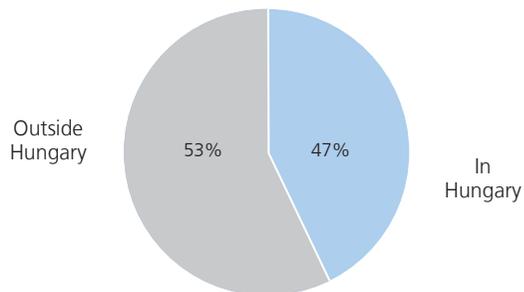
Reality: 43 European countries surveyed for foreign investment projects since 1997

EIM is an Ernst & Young database powered by Oxford Intelligence

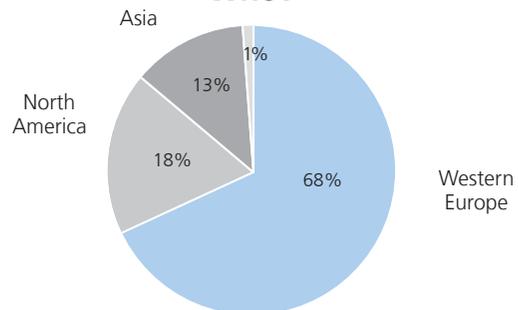
Call centers
R&D
HQ
Manufacturing
Back offices
Logistics
...

A SAMPLE REPRESENTATIVE OF ALL BUSINESS MODELS

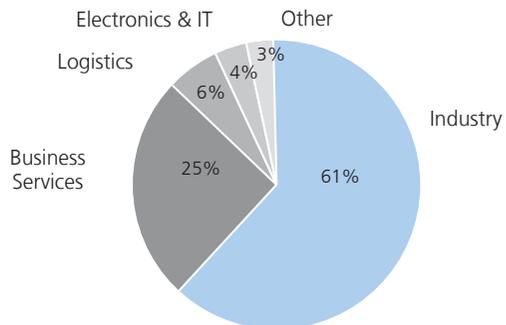
Where?



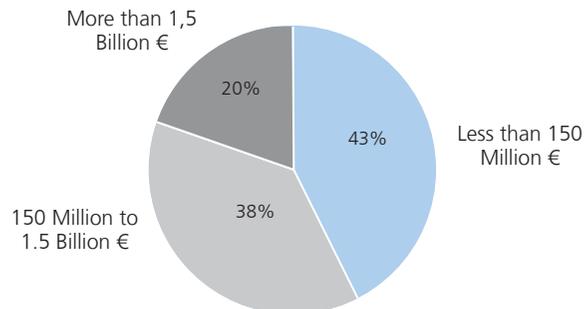
Who?



What?



How big?



THE REALITY OF FDI IN CEE AND HUNGARY

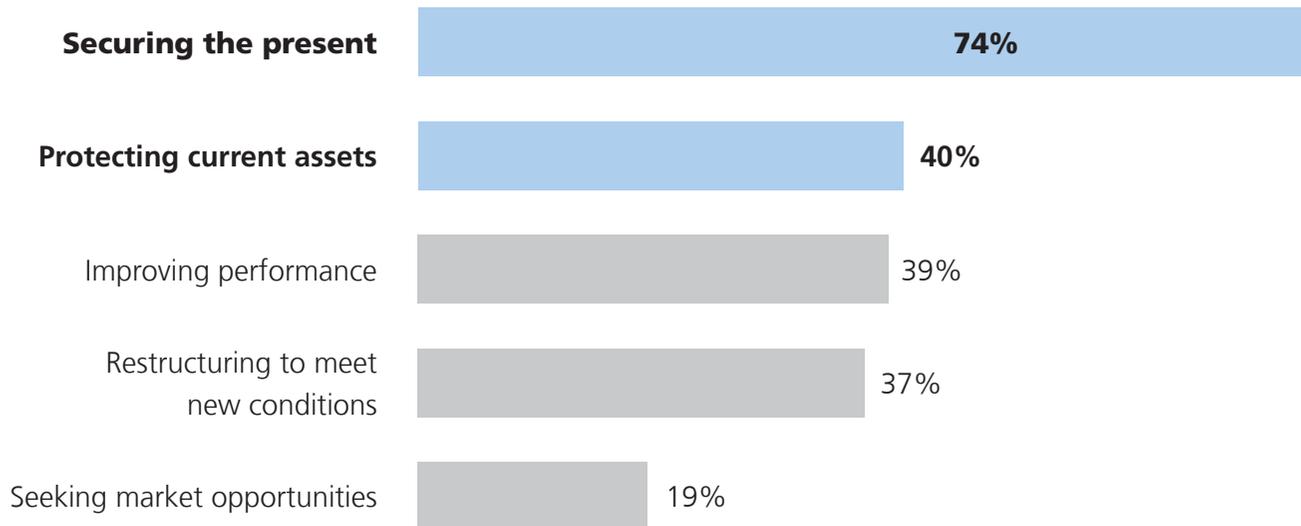


“Shifting to value”



2009: INVESTORS SEEK TO SECURE THEIR ASSETS

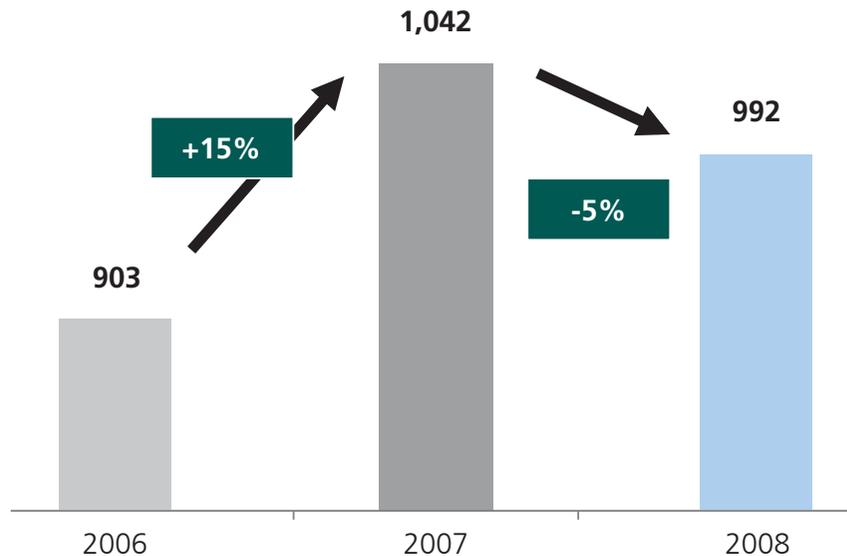
Foreign investors' priorities as a result of current downturn



Source: *Opportunities in adversity*, Ernst & Young 2009
Respondents: 337 board executives

INVESTORS HAVE SLOWED DOWN THEIR FDI PROJECTS IN CEE

• FDI projects in Central and Eastern Europe in 2008



Source: Ernst & Young European Investment Monitor 2009

DIRECT IMPACT ON INDUSTRIAL SECTORS IN CEE

• Job shortfall by sector*

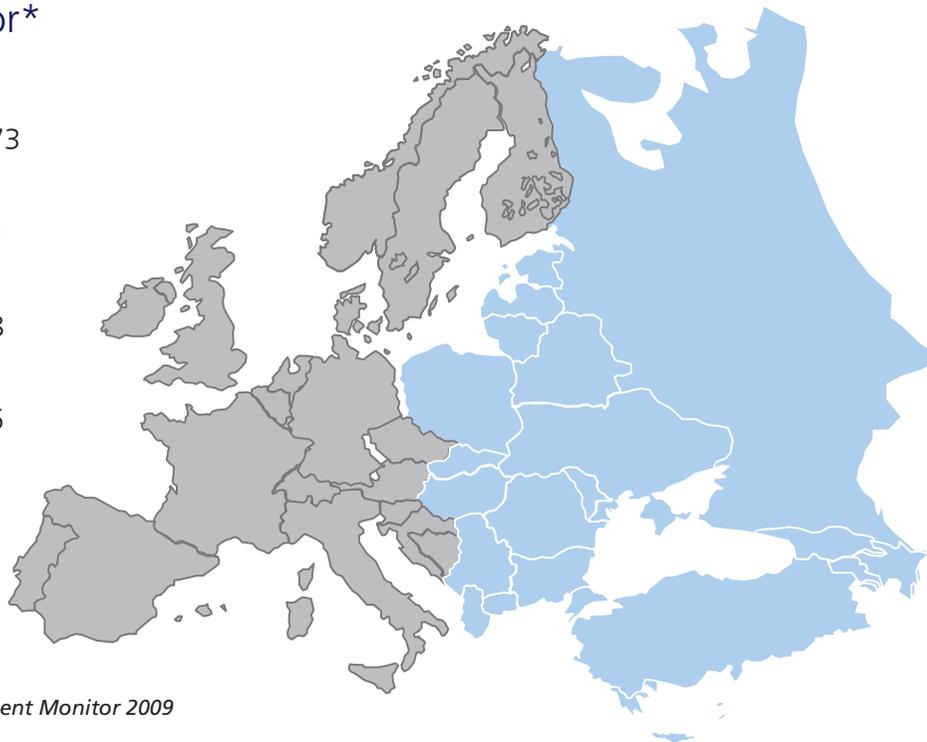
Electronics ▼ - 13,073

Computers ▼ - 4,521

Automotive ▼ - 3,348

Electrical ▼ - 2,425

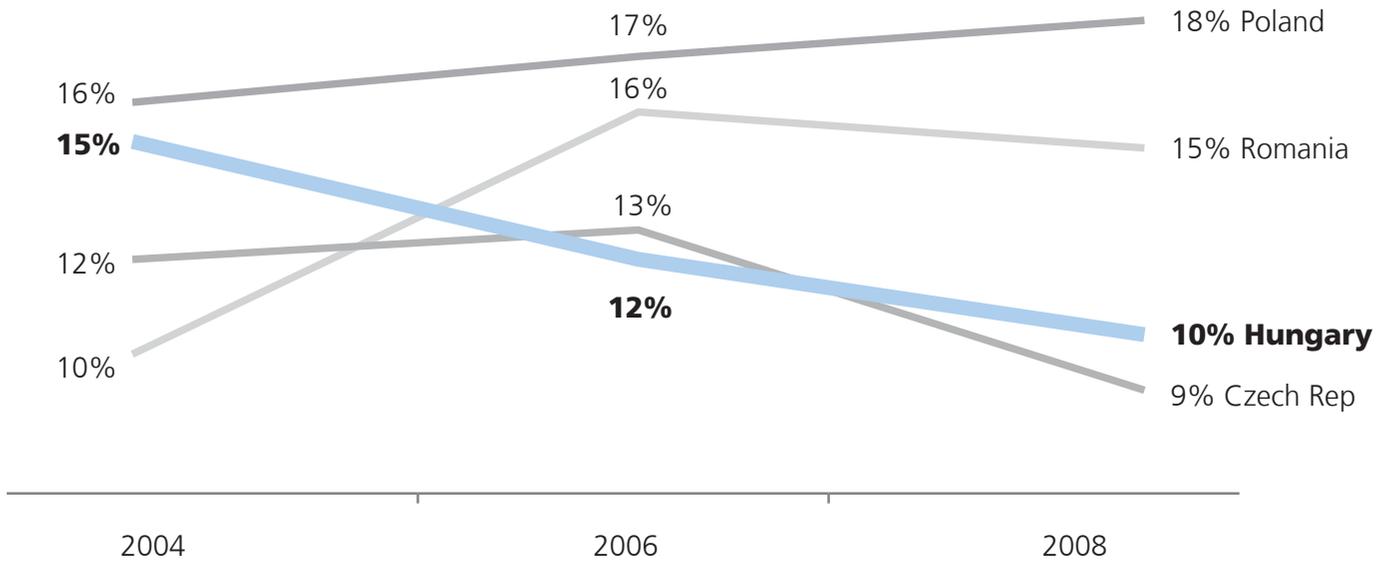
* 2008 vs 2007



Source: Ernst & Young European Investment Monitor 2009

CRISIS COMBINES WITH A CHANGING COMPETITIVE LANDSCAPE

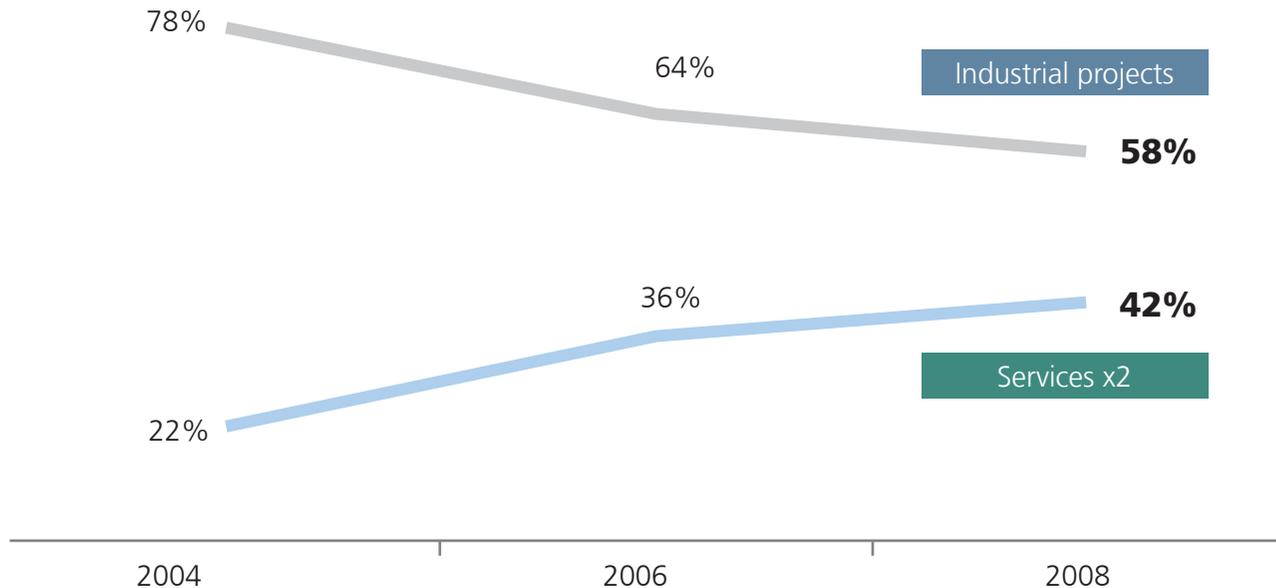
• Top CEE countries for FDI projects (market share by number of projects 2004-2008)



Source: Ernst & Young European Investment Monitor 2009

HUNGARY IS SHIFTING TOWARDS A SERVICES PROFILE

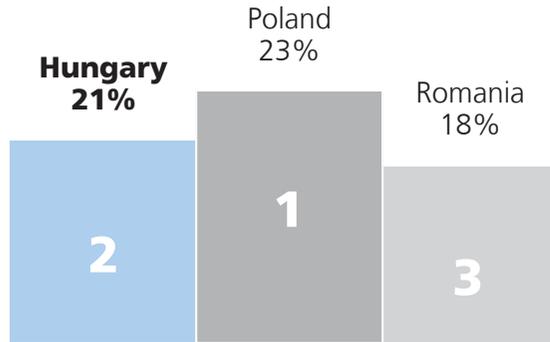
- Distribution of industrial / services projects over the period (number of projects)



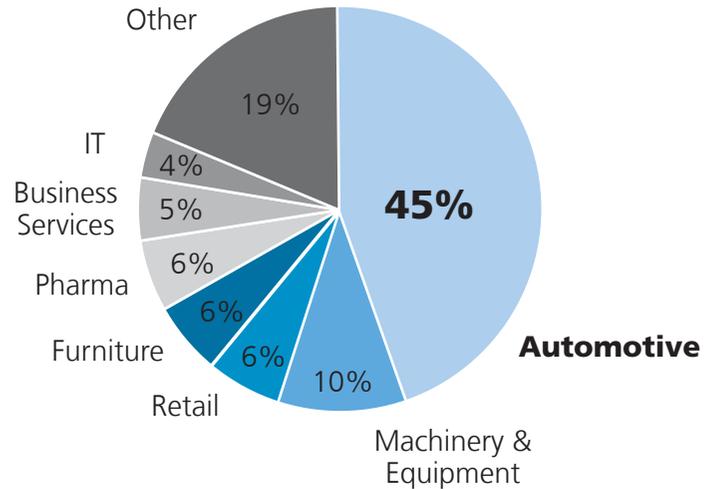
Source: Ernst & Young European Investment Monitor 2009

KEY SERVICES... WHILE AUTO INDUSTRY REMAINS CRUCIAL

- Top 5 CEE countries for Business Support Services (number of FDI projects, 2008)



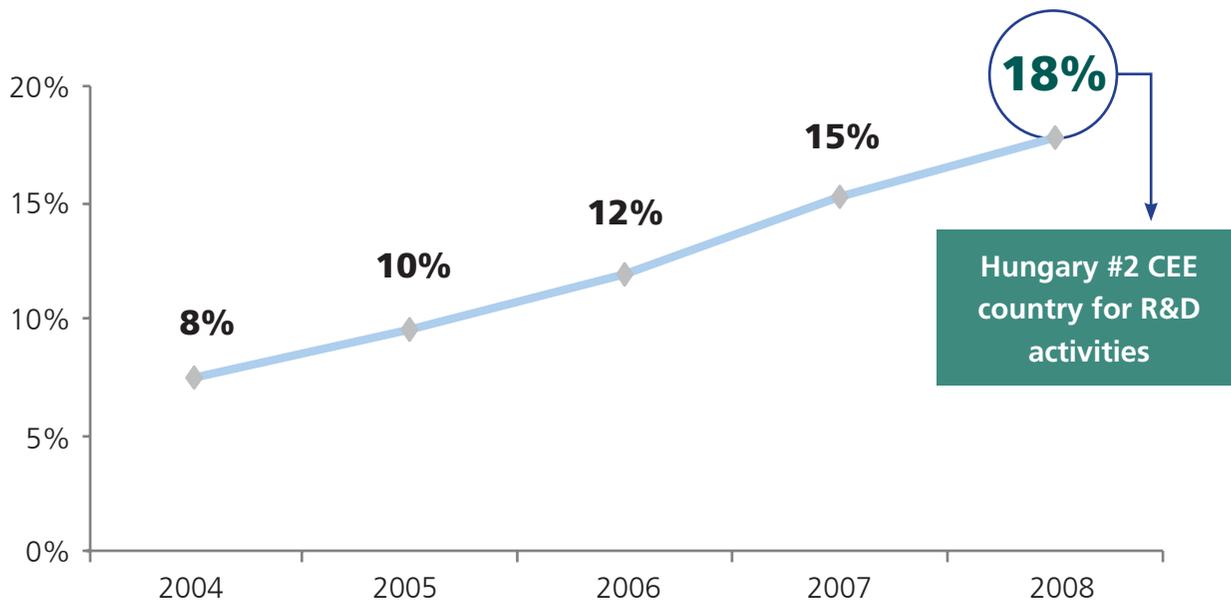
- Top FDI sectors in Hungary (in job creation, 2008)



Source: Ernst & Young European Investment Monitor 2009

HUNGARY MOVES CLOSER TO LEADING THE CEE IN R&D

- Evolution of Hungary's market share within CEE for R&D projects
(number of projects, 2008)



Source: Ernst & Young European Investment Monitor 2009

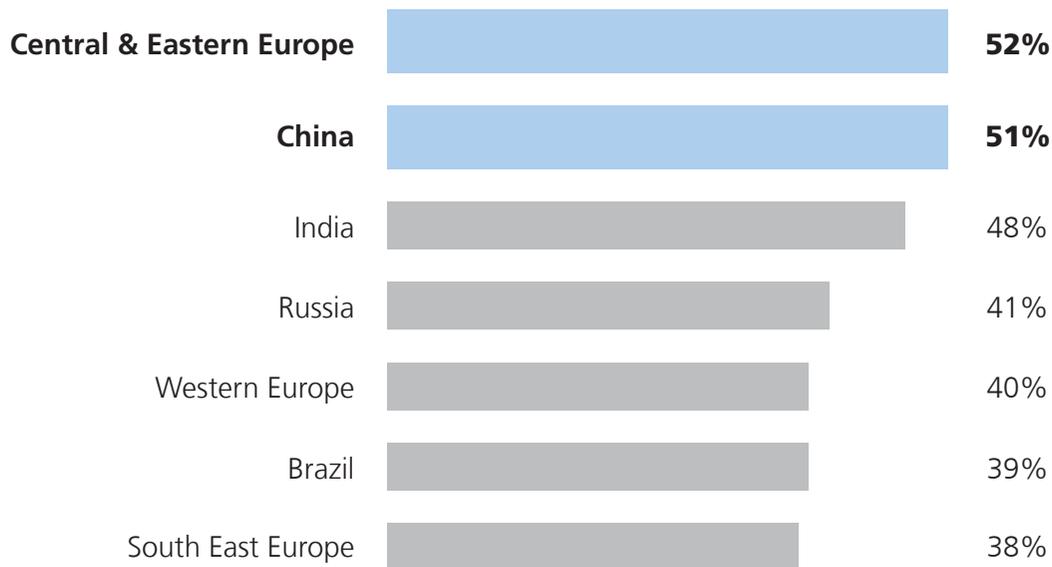
THE PERCEPTION OF GEE AND HUNGARY & THEIR FUTURE ATTRACTIVENESS



“A quality asset to be developed”

PROMISING FUTURE FOR CENTRAL & EASTERN EUROPE

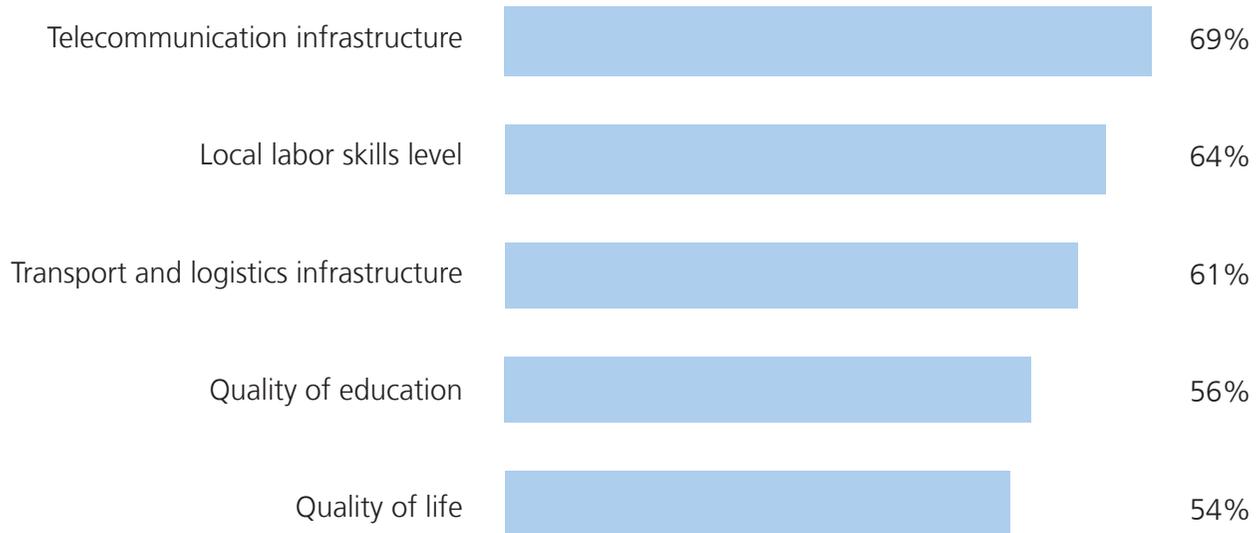
•• Most attractive regions over the next 3 years



Respondents: 809 Ernst & Young European attractiveness survey 2009

HUNGARY IS PERCEIVED AS A QUALITY LOCATION

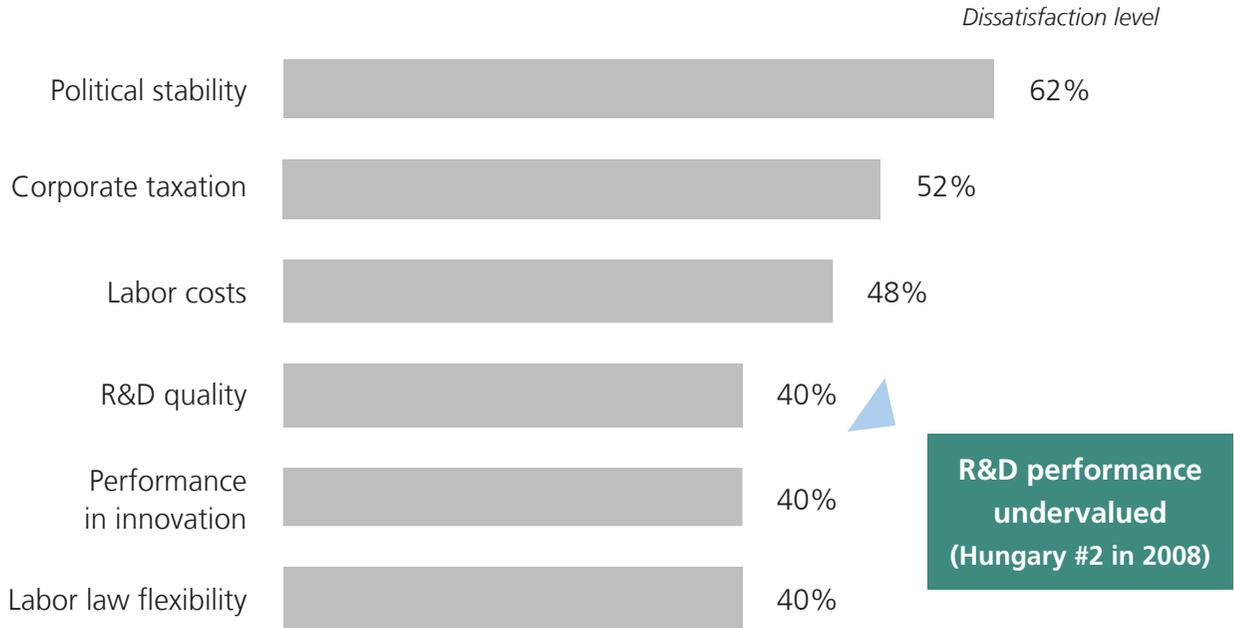
•• Top 5 satisfaction assets



Respondents: 202 *'Very attractive' + 'fairly attractive' responses

BUT CERTAIN STRATEGIC WEAKNESSES NEED TO BE IMPROVED

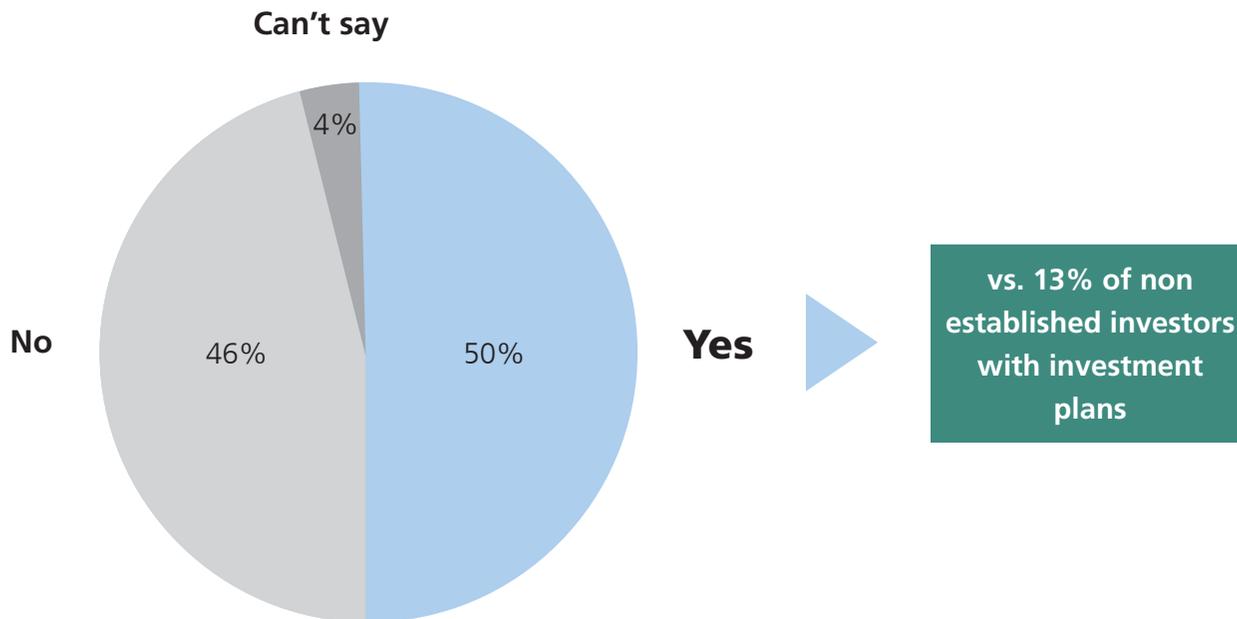
Where investors are NOT satisfied



Respondents: 202 *'Not very attractive' + 'Not at all attractive' responses

TRUST OF FOREIGN INVESTORS ALREADY ESTABLISHED IN HUNGARY

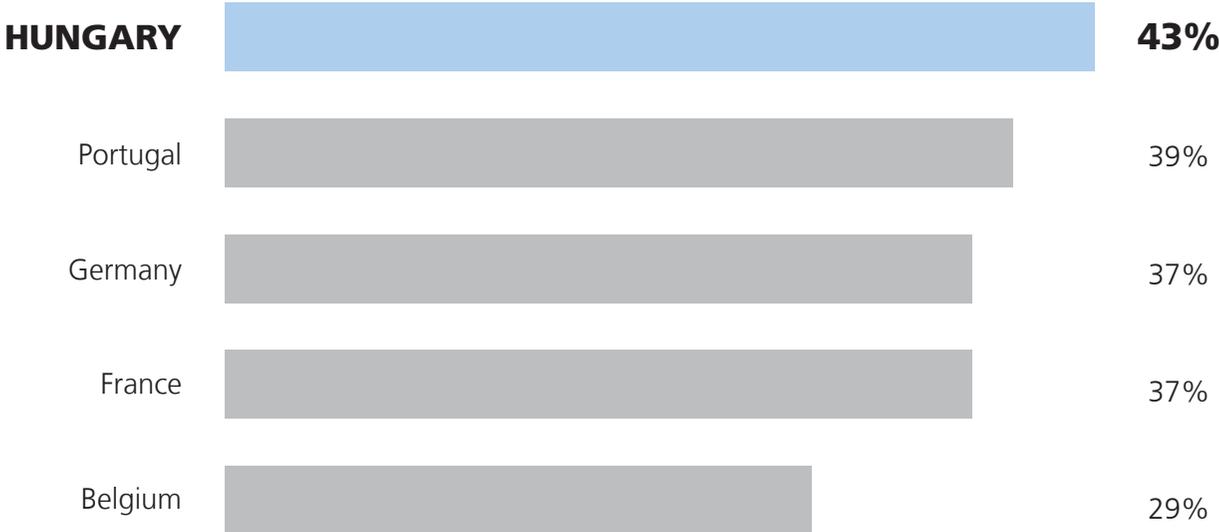
- Established investors considering developing activities in Hungary



Respondents: 115

CONFIDENCE IN THE FUTURE ATTRACTIVENESS OF HUNGARY

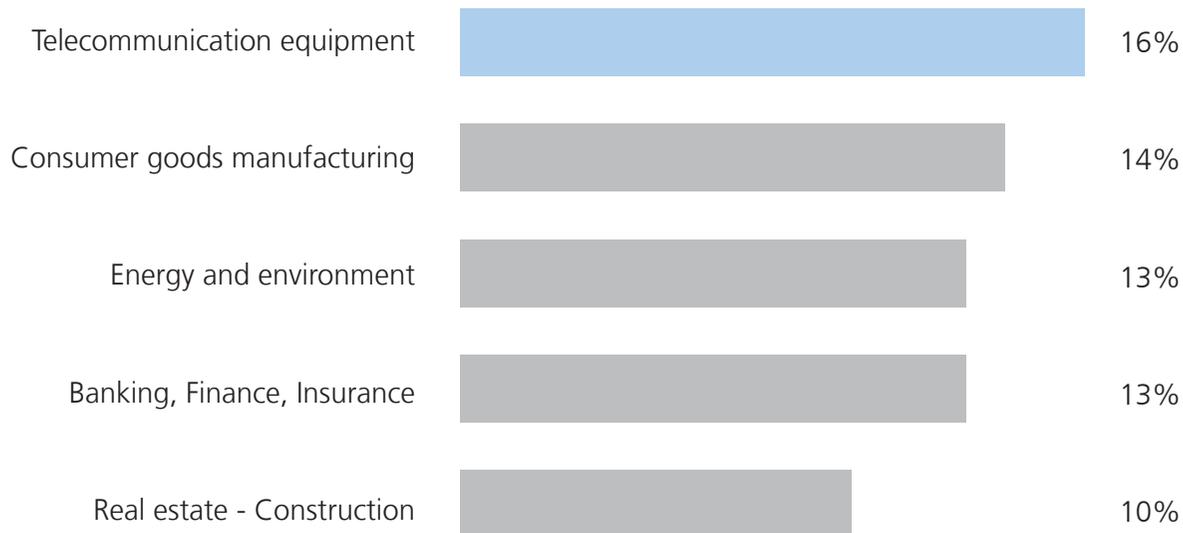
• Confidence that the attractiveness will improve over the next three years



Respondents: 202 *'Very attractive' + 'fairly attractive' responses
Source for other countries: country specific Ernst & Young attractiveness survey 2009

SECTORS EXPECTED TO DRIVE THE EUROPEAN RECOVERY

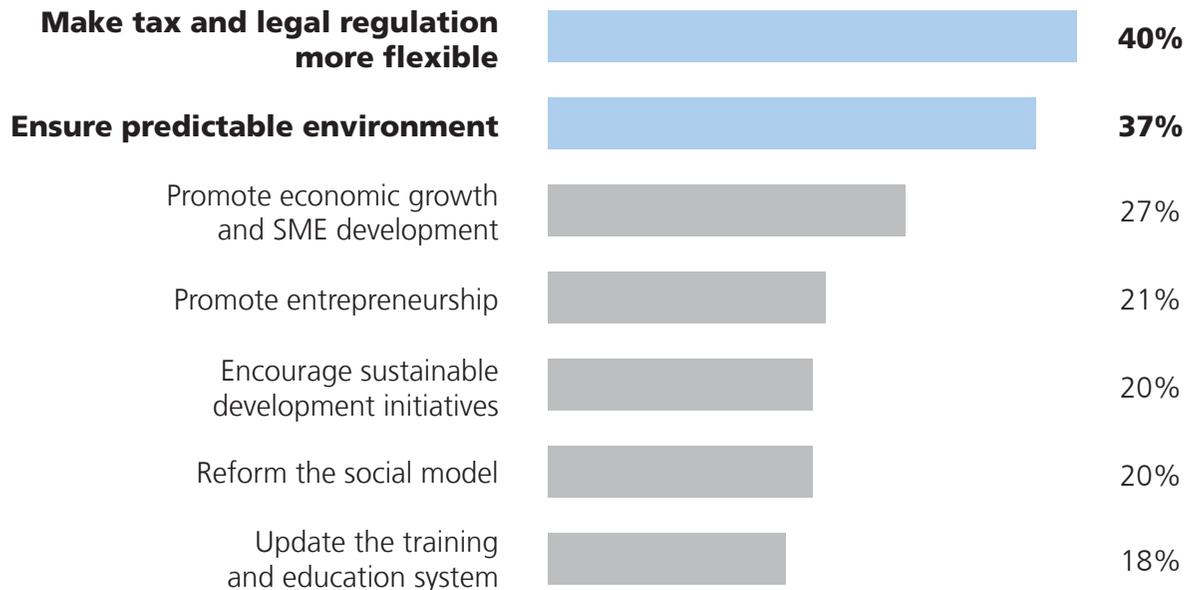
•• The top sectors to drive Europe's recovery



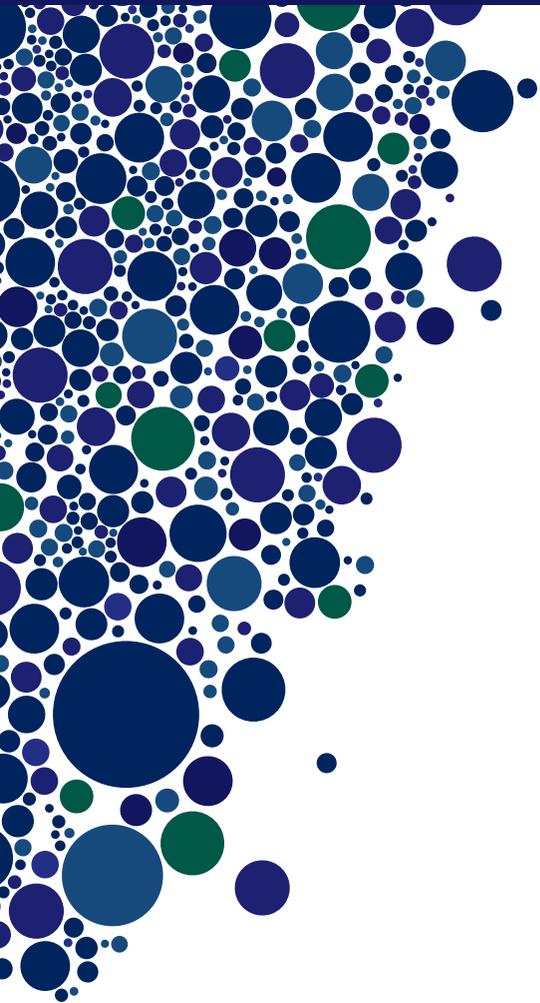
Respondents: 202 Source: European attractiveness survey 2009

WANTED: PREDICTABILITY AND FLEXIBILITY

• Measures to be taken to improve Hungary's attractiveness



Respondents: 202 Total > 100%: many possible answers



H U N G A R Y

**INVESTMENT AND TRADE
DEVELOPMENT AGENCY**

ITD Hungary is the Hungarian Government's Investment and Trade Development Agency, established in 1993 to promote foreign investment and bilateral trade. With representative offices in eight regional centres of Hungary, a foreign network operating under Hungary's diplomatic services and special assignments in more than 50 countries, ITD Hungary is a single point of contact to support decision-makers looking for new business opportunities in Hungary.

For more information please contact:

ITD Hungary

Hungarian Investment and Trade Development Agency

Budapest, H-1061 Andrásy út 12.

Tel.: +36 1 472 8100

Fax: +36 1 472 8101

Trade Development: info@itd.hu

Investment Projects: investment@itd.hu

WWW.ITDH.COM