



**TOP
100**

ECONOMY OF BÁCS-KISKUN COUNTY | 2022

Points of connection and perspectives in the recession



In the current economic environment, businesses can be stronger if they collaborate. Together they can become a dominant player in the market, and the chamber can play a mentoring role in this process. Development has not stopped until now, digitization, energy and industrial innovation progress must continue. This is the opinion of József Gaál, the president of the Bács-Kiskun County Chamber of Commerce and Industry, in the turbulent times after the pandemic.

What are the most pressing issues affecting the business community at the moment?

Businesses are going through a very special time, and so are we, all of us. There are processes taking place in the world, in the economy, and on the basis of them even a very capable person should feel it difficult to predict even just the next six months. At the global level, the poles of power determine the fate of the world. Based on current events and trends, I could recall Milton Friedman, who said:

"The business of the business is the business". This approach is a bit far from most domestic enterprises, but it is difficult to refute the words of a Nobel Prize-winning economist. There is quite a bit of chaos on the global markets, prices have skyrocketed, energy has risen 5-10 times, prices of various raw materials (if they are available at all) have risen up to 6-8 times, and logistics costs have also multiplied. This continues to ripple into all areas. The war taking place in our neighbourhood and the irrational decisions affecting Europe all increase uncertainty. We are facing a recession: a significant number of businesses can count on decreasing purchasing power and rising costs. The good news is that this will end one day, too. Again, the lesson for businesses is that you have to survive this period somehow. They are not left alone in this, the government's programs for factory rescue, energy price compensation and energy modernization represent a serious support.

Now, perhaps more than ever, we need to build on connectivity and cooperation between businesses.

Indeed, I think so, too. There are also excellent examples in our country of how businesses have become stronger together and have been able to become a dominant player on the market with joint efforts. The Chamber itself, or the "Hírös" Suppliers Cluster can be a mentor and leavening agent of such achievements. If the collaboration is combined with serious knowledge, expertise and determination, there is a good chance of success. Another proposed collaboration is related to the university. The knowledge centres of John von Neumann University achieve internationally recognized results in the various fields of material science, cutting and welding, laser- and vehicle technology, IT and business science.



Is it really the recipe for survival that you have to move forward in the midst of turbulent economic conditions, develop proactively, and save the greatest value, the professionals, into the future?

Well-trained workforce is truly the most important resource for an enterprise. You can buy a production line, a computer system, the tools, but if you don't have a well-trained specialist, it's just a pile of hardware. The government's support programs also aim to preserve the viability of companies. In a storm, the ship must be steered completely differently. It is important to keep a cool head and be considerate, you may have to temporarily let things go, pull back, and develop with a focus on the future. This is served by the interest ceiling introduced at the suggestion of the Chamber and the continuation of the Széchenyi Card Program. 6 different loan products can be applied for in 2023 as well, with a net interest rate of 5%.

Growing geopolitical tensions result in an energy crisis and inflation. Which sectors could be in serious trouble?

The energy-intensive sectors may find themselves in a difficult situation and are more affected by the decline in consumption. Those that cannot manage the brutally increased costs through development and reorganization, or compensate these issues in their prices. For example, the next six months will be a serious challenge for companies like dealing with the heat treatment of metals or operating a large kitchen and wellness centre.

What do you predict in the medium and long term?

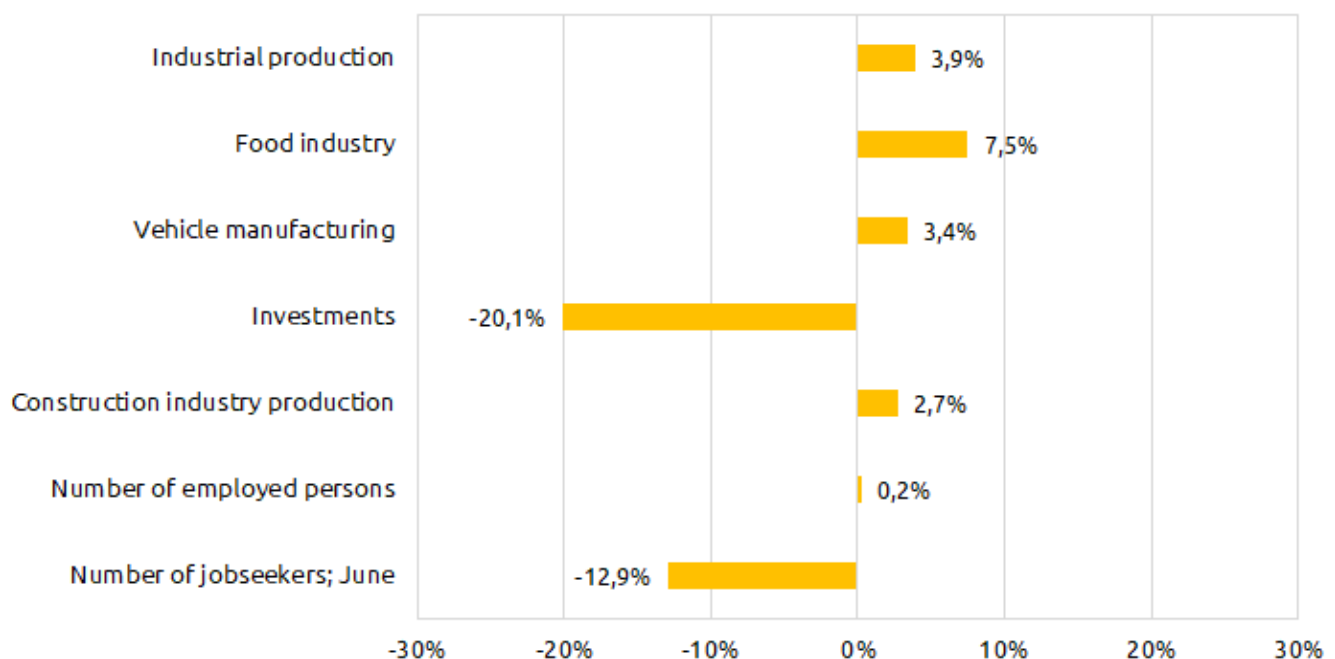
I share the idea of atomic physicist Niels Bohr: "It is difficult to predict, especially when it comes to the future". Instead, quite a few questions arise. When will the war in our neighbourhood end? What kind of economic crisis will the incipient recession deepen into? How many companies fall victim to the recession? It seems certain that as an effect, a major structural transformation can be expected. Everything ends once, so does this storm. The question is how much rubble will be left behind. Let's hope it's as small as possible! However, development does not stop during these times, as evidenced by the large number of investments, industrial, logistics and other developments taking place around us. We are witnessing hyper-speed technological development, a third of today's university students will work in a job that does not even exist today. Digitization, energy, and industrial innovation development will continue, most likely at an ever-accelerating pace. Let's hope that this process remains peaceful, because "professionalism" can be a destructive force without a solid and sustainable moral foundation.

The economy of Bács-Kiskun county; First half of 2022.

Right just before the pandemic period that was left behind us, the country and the economy of Bács-Kiskun county were on a growing path in the booming global economic environment. In 2022, we face another global economic crisis. The increased demand for raw materials and finished products had a price-inflating effect beginning from the end of 2021. Inflation was strengthened from the start of the year by the war conflict and later by the energy crisis, while export market opportunities got more narrow and central government investments are also lagging behind. This was aggravated by the summer drought, which had not been seen for decades, which also seriously affected Bács-Kiskun county as an important food producing region. These factors can also negatively affect the economic prospects of Bács-Kiskun county, which plays a significant role in the global motor vehicle production industry and related economic areas, as well as in the food industry. These effects show their signals for the first time in the decreasing investment data for the first half of 2022.

Figure 1.

Main economic indicators of Bács-Kiskun county, 1st half of 2022.

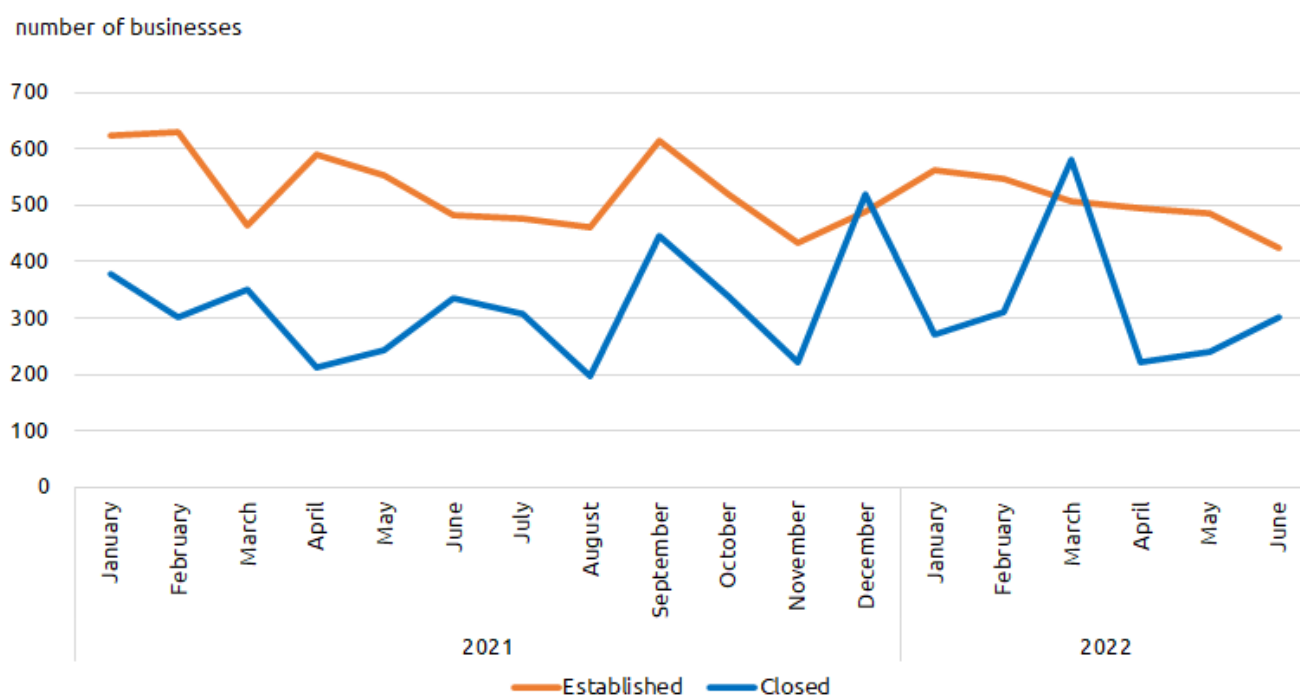


Business environment

With the exceptions of temporary decrease in December 2021 and March 2022, the number of registered businesses increased month by month in Bács-Kiskun county between January 2021 and June 2022. With the exception of two months (December 2021 and March 2022), more new businesses were created than closed in every month. In 2022, the desire to start a business decreased: starting from January, fewer and fewer new businesses were established every month, which is presumably a consequence of the uncertain economic environment.

Figure 2.

Number of newly established and closed businesses in Bács-Kiskun county



At the end of June 2022, 107,000 businesses with headquarters in Bács-Kiskun county were registered, that is 2.0% more than a year earlier (the number of both joint ventures and self-employed persons increased). The share of self-employed entrepreneurs within registered businesses with headquarters in Bács-Kiskun county was 9.8 percentage points higher than the national rate: 82% were self-employed, and the rest were multi-person enterprises. Their ratio has not changed in a year.

The size structure of the enterprises was similar to the national distribution: at the end of June 2022, 98% of the enterprises registered in the county had less than 10 employees. The share of organizations larger than this, but with a maximum of 49 employees, was 1.6%. 247 enterprises were registered with 50-249 employees, and 40 with at least 250 employees.

According to branches of the national economy, the largest number of enterprises, 46% of all, were registered in agriculture, which was the 3rd highest proportion in the country. 8.8% of the enterprises dealt with trade, 8.7% with real estate transactions, the shares of the other branches of the national economy each remained below 8.0%. With the exceptions of mining, energy industry, water supply, trade, and public administration, there were more self-employed entrepreneurs in all branches of the national economy.

Of the 500 companies with the largest sales revenue registered in the entire country, 14 had their headquarters in Bács-Kiskun county, which accounted for 3.6% of the total sales revenue and 2.0% of the number of employees among the largest companies. In this regard, Bács-Kiskun county is in the top of the order of counties.

In terms of sales revenue, the highlighted enterprises are concentrated in the county seat: four-tenths of the one hundred companies with the largest sales revenue were based in Kecskemét. These organizations accounted for nearly one-sixth of the workforce and almost two-thirds of the sales revenue of the TOP 100 companies in Bács-Kiskun county. In addition to the county seat, a significant number of the outstanding organizations occurred in Kiskunfélegyháza also (9 units) and Tiszakécske (8 units), too. Among the largest enterprises in the county, 54 were active in the manufacturing industry, 26 in trade, and 14 in the construction industry.

Investments ¹

Economic organizations based in Bács-Kiskun county realized HUF 349 billion worth of new investment in 2021, which was 37% more than a year earlier. The desire to invest in the county increased in every quarter of the year. In 2021, 54% of the resources devoted to development were used in the manufacturing industry, 10% in commerce, and 7.3% in agriculture. The volume of investments in the manufacturing industry increased by 85%, that of commerce by 31%, and that of agriculture by 1.9%.

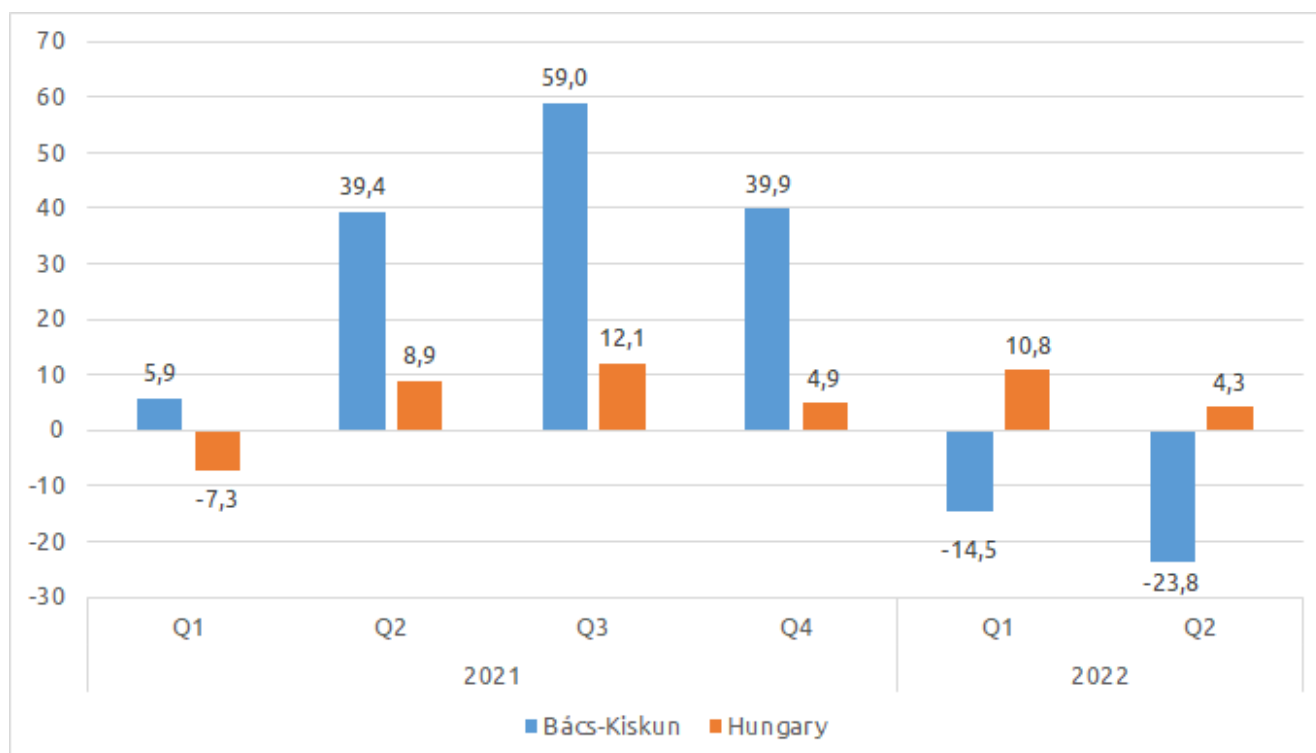
At the beginning of 2022, the development activity of economic organizations based in Bács-Kiskun county declined. In the first half of the year, new investment, worth HUF 128 billion was a fifth less than a year earlier at comparative prices. In the coming period, the ongoing Russian-Ukrainian war, the rise in market interest rates, and the increase in the price of raw materials and energy may further reduce the volume of investments.

In the first half of 2022, investments increased in most branches of the national economy, but at the same time in the manufacturing industry - which realizes nearly four-tenths of the output value - the volume decreased by 38%. Apart from wood processing, paper product manufacturing, printing, electrical equipment manufacturing, and machinery and mechanical equipment manufacturing, the development activity declined in most of the processing industry sub-sectors. 40% of the HUF 50 billion invested in this national economy branch was used to expand and modernize the food industry. In addition, even greater developments were realized in the machinery industry (including vehicle manufacturing), the metallurgy and metal processing sectors, as well as the rubber, plastic and construction materials industries. In commerce, which is considered the second largest investment area, there was a 33% drop due to the base effect of the previously implemented high-value developments. At the same time, among the branches representing a larger share, expansion occurred in agriculture (14%) and transport and storage (33%).

A performance value of HUF 256,000 per inhabitant was 53% of the national average and 80% of the average of counties.

Figure 3.

Volume change of investment (compared to the same period of the previous year)



¹ The source of the data are mid-year official statistical data collections. The organizations' investments are accounted for the headquarters, regardless of the physical location of the investment, and they apply to enterprises employing more than 4 persons, while budgetary organizations and non-profit organizations that were selected in the sample are regardless of the number of their employees. Preliminary data.

Industry

The county's industry provided subdued performance in 2021: production at the Bács-Kiskun county sites of industrial enterprises employing more than four persons decreased slightly, even compared to the low base of 2020. In the first half of the year 2022, however, the performance of the industry was able to surpass the value of the same period of the previous year, even with the burden of the economic uncertainty.

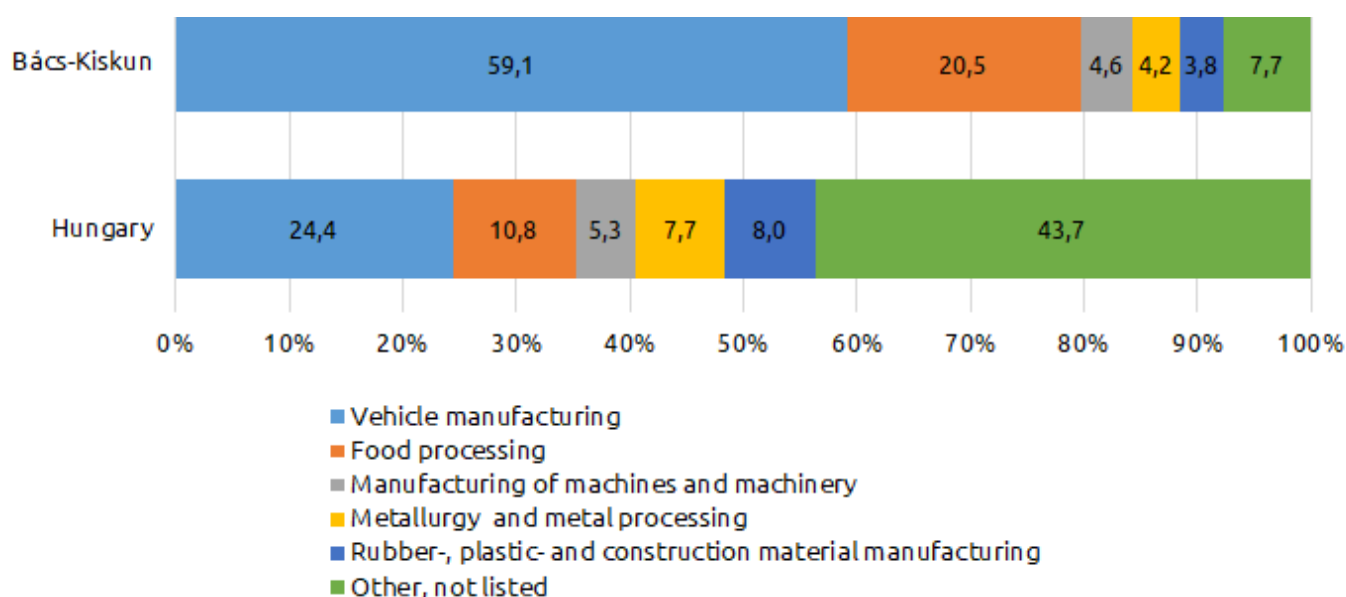
In the first half of 2022, the county's output of HUF 1,560 billion accounted for 6.2% of national industrial production. The volume of production rose by 2.7%, lagging behind the national pace of increasing by 4.7%. In January, the volume of industrial production exceeded the low base of the previous year by 67%, and the index of production also reached a positive range in February and April. At the same time, industrial output decreased in March, May and June.

The value of industrial production per inhabitant in January-June 2022 was HUF 3.2 million in the county, which exceeded the national value by 21%. This was the 7th highest value in the rankings of the counties and the capital, an improvement compared to the 8th place a year earlier.

The industrial production value of county-based industrial enterprises employing more than 49 people (excluding water and waste management) increased by 3.9% in the first half of 2022 compared to the same period of previous year. Both exports and domestic sales rose, however, in addition to the 6.0% expansion of domestic sales, overall sales increased by only 3.5% due to the higher weight and more moderate rise of foreign market sales.

Figure 4.

Distribution of manufacturing production by main industry sectors*, first half of 2022



*Based on data from industrial enterprises based in the county, employing more than 49 people.

The recovery of the county's industry is indicated by the fact that the performance of the vehicle industry, which dominates the manufacturing industry and accounts for almost one-sixth of the output, rose by 3.4% in the first half of 2022, breaking the negative trend of previous years. The foreign market sales of this sector, which produces almost exclusively for export, has increased by 3.3%.

The production of the food industry, which accounts for more than a fifth of the county's output, increased by 7.5% compared to the first half of 2021, driven primarily by the 14% increase in domestic sales. The production of machines and mechanical equipment and the growth of metallurgy and metal processing were both double-digit, while at the same time the production of the rubber, plastic and building materials industry decreased by a quarter.

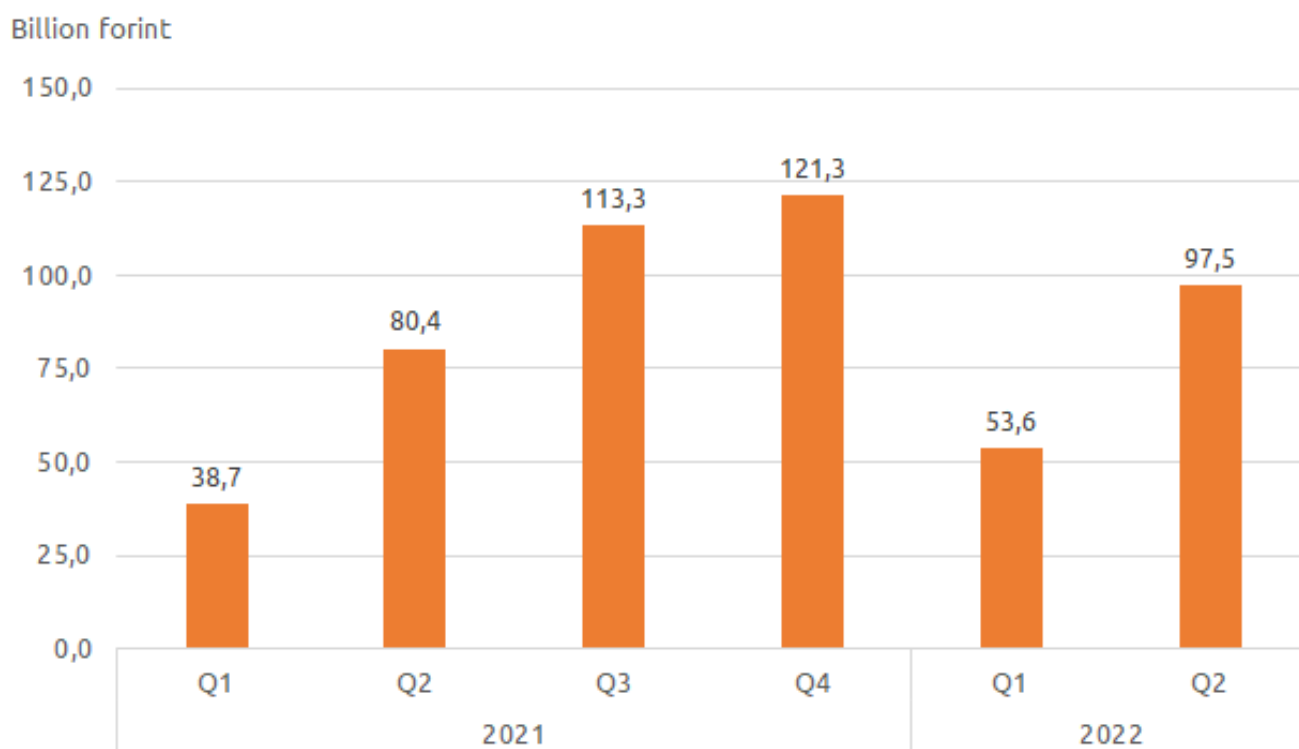
Construction industry

The construction industry's performance in the county recovered in 2021 from the fall suffered during the coronavirus epidemic. After the 9.2% decline experienced in 2020, the county's construction industry was also helped by the recovery of the economy, as well as national level programs such as housing renovation subsidies and discounted business loans. Thus, the production value of HUF 354 billion in 2021 exceeded the previous year by 22%. The growth characterized most of the year, only a decrease occurred between March and June. However, the production of the county's construction industry increased by 60% in January, by nearly 100% in July, and by more than a third between September and December.

Due to rising raw material prices and the deteriorating business environment, growth slowed down to 2.7% in the first half of 2022 with a production value of HUF 151.0 billion. After the 29% decline in January, the growing dynamics returned for three months, thanks to the low base. Production rose by 70% in March compared to the previous year. In May and June, however, performance declined even with the supporting base effect.

Figure 5.

The production of the construction industry in Bács-Kiskun county



In January-June 2022, the construction of other structures decreased by 1.1% following the 25% expansion in 2021, while construction of buildings slowed down to 8.7% compared to the previous year's 16% growth rate. Looking at the construction industry sectors, the construction of other constructions, which account for more than half of the production value, decreased by 1.6%, the construction of buildings by 15%, and specialized construction by 10%.

Data on contracts predict a decline. In January-June 2022, new contracts worth HUF 140.9 billion were signed by the county's businesses, which was 44% less than a year earlier. The amount of contracts for the construction of buildings decreased by 35%, and that of new contracts for the construction of other structures by 45%. The volume of construction industry contracts at the end of June 2022 was 59% lower than a year earlier.

Housing market

The housing market in Hungary is influenced by many internal incentives and external factors. Subsidies and preferential loan schemes provided as part of the family policy generated a demand, which resulted in price increases on the used real estate market. At the same time, due to the rise in the price of building materials and the lack of professionals, the construction costs of new apartments also increased.

In the first half of 2022, the number of newly delivered apartments in Bács-Kiskun county fell in line with the national trends, but much more drastically. Between January and June 2022, 247 new apartments were handed over into use, which is less than one-sixth of the same period of the previous year. The reason behind the decrease is last year's decline in market-oriented housing construction in Kecskemét and the surrounding area. The majority of the newly delivered apartments (156 apartments) were built by the citizens, which is practically the same as the year before, while the number of apartments delivered in the framework of market investments decreased by two-thirds. At the same time, instead of condominiums, the construction form of single-family houses became dominant. Although, due to the completion of residential park construction projects, far less apartments were built in the Kecskemét area until June this year (only 40% of the first half of last year), the market for new apartments still remained concentrated in the county seat and its narrow surroundings. Nearly one-sixth of the new apartments were delivered in the Kecskemét district (145 new apartments), and another fifth in the Baja district.

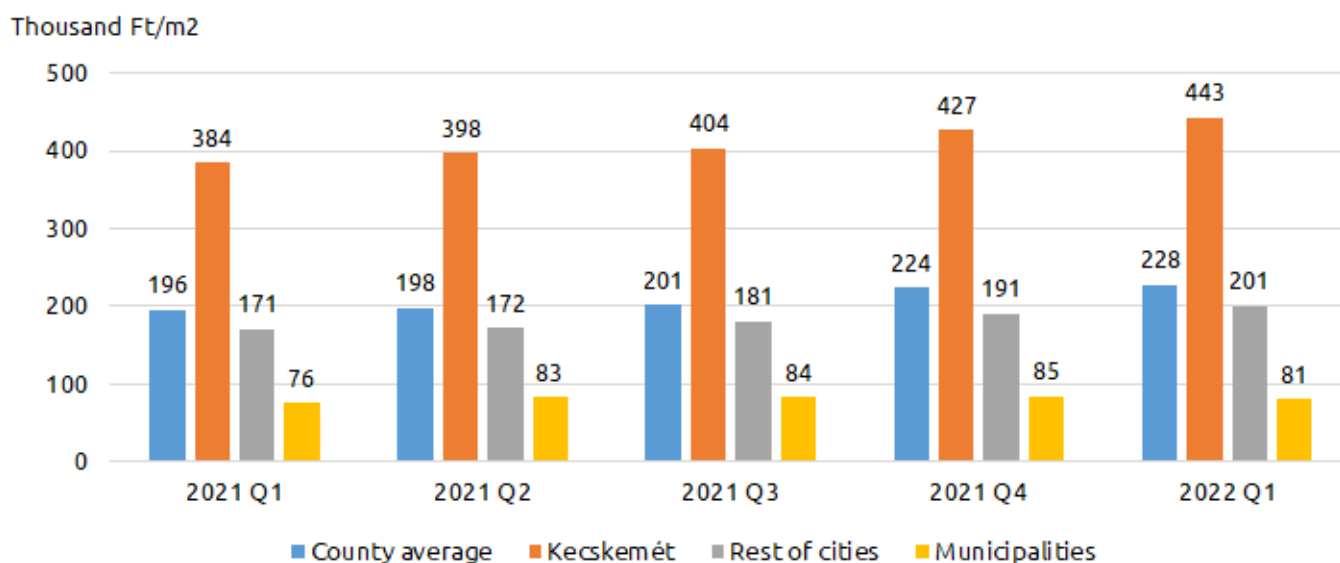
The decrease in the desire to build houses in the future is indicated by the fact, that the number of apartments to be built - based on building permits and simple notifications issued - in the first half of 2022 (388) is only at 83% of the year before. 7 out of 10 of the submitted applications were aimed at the construction of a single-apartment residential building.

Considering the housing prices, the county's housing market is growing moderately, in line with the national trends, but at a lower price level. According to data from the first quarter of 2022, housing prices are significantly lower than the national price average and they are even low in comparison between counties. The price per square meter² of new and used apartments in the county was HUF 228,000, 16% more than a year earlier. According to building type, the price of apartments in blocks of flats increased by more than a fifth and condominium buildings built with newer technology increased by 15% in one year. At the same time the price of detached family houses decreased.

The structure of the housing market in the county seat is very different from that of the county: the specific prices were 94% higher than the county average, within which the detached houses in Kecskemét cost 2.7 times more per square meter, than an average single-family house in the countryside.

Figure 6.

Average real estate prices per square meter in Bács-Kiskun county (new and used together)



² average price per square meter

Tourism³

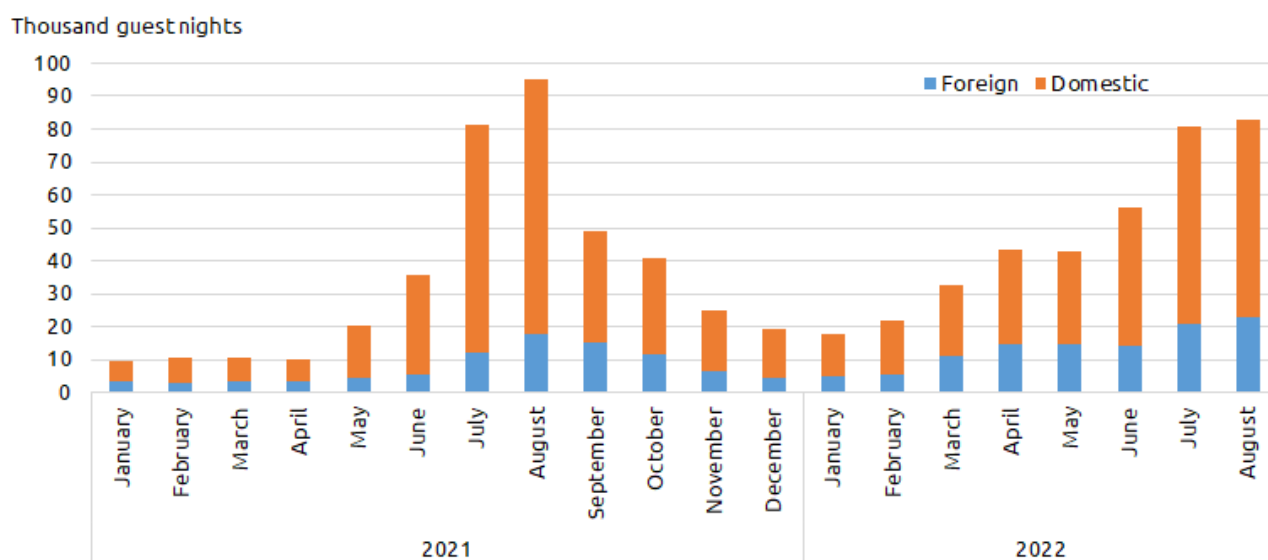
The tourism sector has to face new challenges after the coronavirus epidemic. The desire to travel has revived significantly this year, but the recovery of domestic tourism was influenced by the high willingness of Hungarian households to travel abroad, while the impact of the Russian-Ukrainian war was already felt in the case of incoming foreign tourists. For accommodation providers, the main concern is the increase in energy and raw material prices, as well as the shortage in labour force.

215,000 guest nights were registered in the first six months of 2022, and another 164,000 in July-August, resulting in a total of 378,000 guest nights in Bács-Kiskun county's commercial accommodations - hotels, guesthouses, campsites, holiday home complexes and community accommodations in eight months. In the first half of the year, the number of guest nights have more than doubled, compared to the extremely low basis of the same period of the previous year, mainly due to the epidemiological restrictions. In the high season, mainly due to the lower traffic in August, the number of guest nights fell by about a fifth compared to the previous year. Overall, the amount of nights spent in the first eight months of the year was 38% higher than a year earlier. One-sixth of the guests chose accommodation offered by hotels. The length of stays is slightly lower than the national average: a guest used accommodation for an average of 2.2 nights, and guests in hotels stayed even shorter, for 1.9 nights in average.

The tourism of the county is still characterized by domestic dominance. About three quarters of the guests were domestic visitors. By August 2022, 125,000 Hungarian guests had arrived and spent 270,000 nights in commercial accommodation. This means a 40% increase in the number of visiting persons and 23% more nights were spent than a year earlier. Only 44,000 people came from abroad and they spent around 109,000 guest nights in the county. However, their number still has doubled compared to the previous period.

Figure 7.

Development of guest nights in commercial accommodation in Bács-Kiskun county



In the first eight months of the year, most (34,000) guest nights of guests from across the border, which is almost one third of the county's traffic, were still registered by German guests. They were followed by those coming from Romania (13 thousand), Ukraine (13 thousand), Poland (5.2 thousand) and the Netherlands (4.7 thousand).

By August 2022, the commercial units generated HUF 4.2 billion in gross revenue, 57% more than in the same period of the previous year. 78% of revenues, HUF 3.3 billion, came from accommodation fees.

³ A new data source (NTAK) was introduced in accommodation statistics. More information: https://www.ksh.hu/tajekoztato_szallashely_statistikahoz

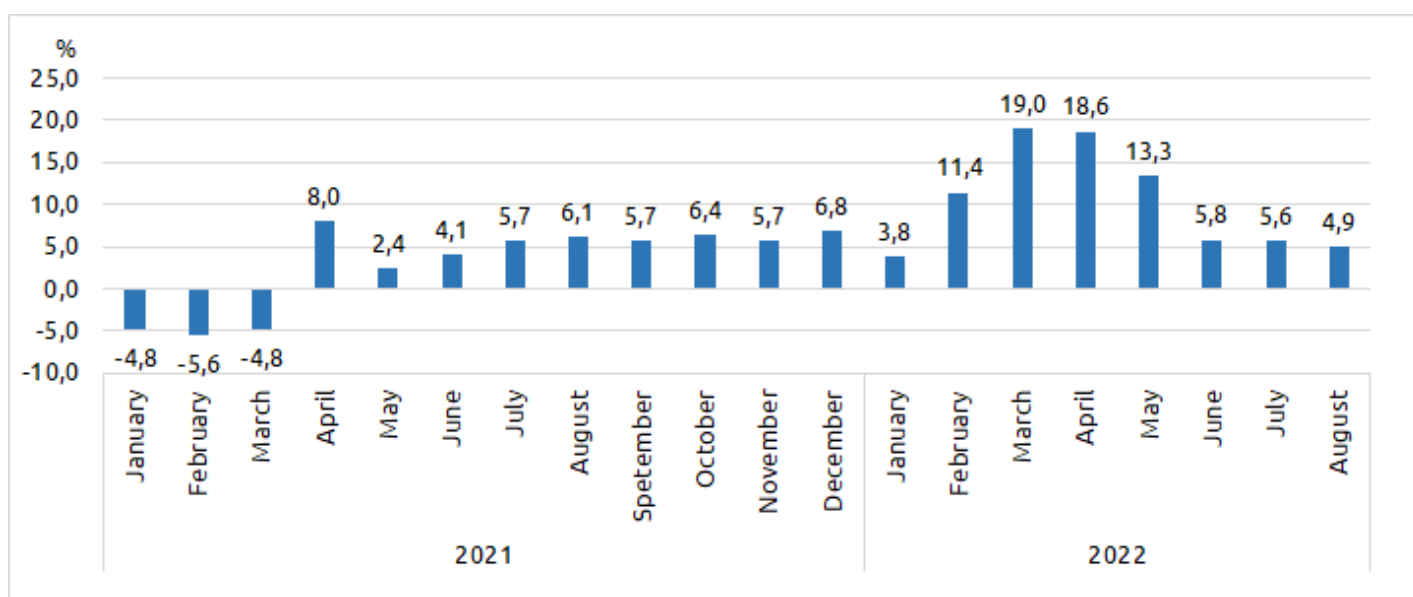
Retail trade

The economic recovery after the coronavirus epidemic increased the disposable income available to the population. All this generated demand, part of which appeared in retail circulation through consumption. However, the increase in global demand for raw materials already resulted in inflation from the fall of 2021, which was reinforced by the war conflict and energy crisis from February 2022. In our country, due to the price caps introduced on some individual consumer products, the effect of inflation in the retail trade was only felt to a limited extent in the first half of the year.

In the first half of 2022, the retail store network in Bács-Kiskun county achieved a turnover of HUF 343 billion, which was 12% higher than a year earlier. The expansion - which is mainly the result of the period between February and May - exceeded the national value (10.4%). In the summer months, however, the expansion visibly slowed down.

Figure 8.

**Changes in the turnover of retail stores in Bács-Kiskun county*
(compared to the same period of previous year)**



* data from October 2021 are preliminary

The concentration of the retail store network continued: according to December 2021 data, 7,012 stores were registered, 169 less than a year earlier. Eight out of 10 shops closing down were operated by self-employed persons.

Labour market

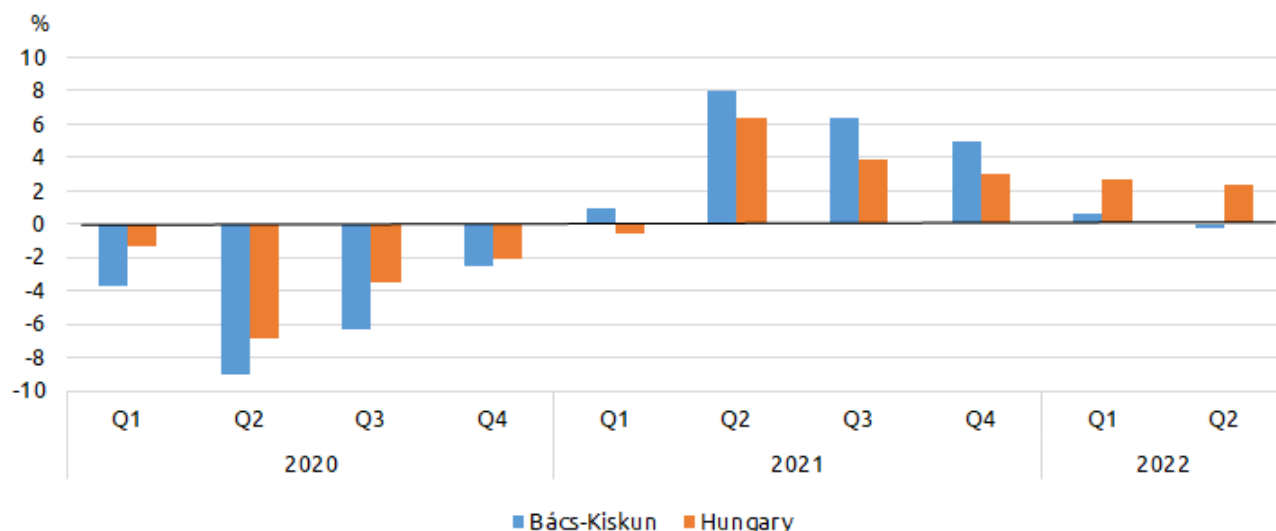
The county's labour market did not suffer a significant break during the pandemic, the employment rate was already restored at the beginning of 2021, and the activity rate even exceeded the pre-crisis values. However, the unemployment rate could only decrease more slowly, and in 2022 II. half year was higher than in the years before the coronavirus epidemic. The county's labour market could not expand significantly, neither before, nor during the unfavourable business environment that appeared this spring. So, the 2022 II. quarter employment rate of 63.3% was the 9th highest, and the unemployment rate of 3.7% was only the 12th lowest, falling one place each in the rankings of the counties and the capital, compared to the previous year.

In the April-June period of 2022, 130,000 persons were employed at the referenced county organizations⁴, which practically equalled the value for the same period of the previous year but was more than 2,000 people short, compared to the value of the 2019 II. quarter.

⁴ Data on enterprises employing at least five people, budgetary institutions in their entirety and non-profit organizations significant from the point of view of employment

Figure 9.

Changes in the number of employed persons compared to the same period of the previous year



Even with a stagnation of the number of employees, branches of the national economy capable of rapidly absorbing labour were still able to grow. The number of employees in the construction industry increased by 791 persons (by 8.3%) and that of the hospitality industry by 512 people (by 13.5%). The increase in the number of employees in some sectors was partially offset by a decrease of 232 persons (3.9%) in agriculture.

Almost one third of the employees (42 thousand persons) worked in the processing industry, which is also the economic branch employing the most people in the county, while the number of employees even increased in the II. quarter, by 0.8 percent compared to the same period of the previous year. The decrease of 517 employees (4.4%) in the food industry was mainly compensated by the increase of 461 employees (5.2%) in the vehicle manufacturing industry and further 312 employees (7.6%) in metallurgy and metal processing.

In the second quarter of 2022 the average gross monthly earning of full-time employees was HUF 428,000, which was 16% higher than in the same period of the previous year. This increase barely exceeded the national average, so the difference between county and national average earnings increased to HUF 75,000. The wage level of those with physical occupations rose by 15%, that of intellectuals by 19%. The former earned HUF 352,000 gross on average, the latter earned 539,000 HUF.

In the case of some branches of the national economy that employ a significant number of persons, like healthcare (24%) and trade (18%) the increase rate of earnings exceeded the average of the counties. On the other hand, people working in construction industry (15%), education (13%), manufacturing (13%) and public administration (11%) experienced an increase of their salaries below the average growth rate.

The number of registered jobseekers amounted to 11,000 people in June this year, which is 13% less than a year earlier. At the beginning of 2021, nearly 15,000 people were still looking for a job, and by the end of the year this number had decreased to around 11,000 people. Then, a slight increase was experienced again at the beginning of this year, but it proved to be temporary. The 2,231 vacant positions in June 2022, on the other hand, were 3.8% more than a year earlier, so the labour market became tighter: there were 49 job seekers in average (less than the previous year's 59) for ten vacant positions. The county jobseekers found a job in a slightly shorter time than the national experience: the proportion of those who had been looking for a job for less than half a year was 52%, compared to 47% nationally. 28% of jobseekers graduated from vocational training, 14% from vocational high school, whereas both proportions exceeded the national average.

In June, the number of people receiving a job search allowance increased by 197 persons (by 11%), and the number of people receiving the job search aid by 359 (by 17%), while the number of people receiving employment substitute support decreased by 471 persons (by 18%) compared to the previous year.



Kecskemét, Árpád krt. 4.



Baja, Kossuth Lajos u. 2-4.



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