



The number of registered business units, 2017

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Summary

On 31 December 2017, the number of **registered business units** was over 1 million 870 thousand, which was 24 thousand more than a year ago. The number of organisations increased by 22 thousand among registered enterprises, by 700 among non-profit organisations, by 1,200 among other entities and by 68 among budgetary units and entities.

Until 2014, the number of business units increased continuously since 1998, this trend was broken as a consequence of legislative changes. The growth also continued in 2016 and in 2017, thus their number exceeded the peak of 2014 already by 1.2%.

31% of the enterprises were business partnerships and 69% of them were entrepreneurs. The number of the former decreased, that of the latter increased.

The residence of more than half of the business partnerships and of one quarter of the entrepreneurs was in the large region of Central Hungary.

The most businesses continued to be active in the area of agriculture, real estate activities, trade and scientific, technical activities.

Less than 50 persons took part in the activity of the large majority of enterprises.

In 2017, the number of newly registered enterprises was 7.4% more than in 2016. Both the new registrations among business partnerships and those among entrepreneurs became higher.

The number of liquidation proceedings initiated among business partnerships continuously decreased in the last three years. The number of liquidations rose only in the field of health and lessened in the other sections of the economy.

In 2017, the number of owner-initiated dissolution proceedings was 9.5 thousand, which meant an increase of 27% compared to the previous year. Micro enterprises accounted for the determining proportion of dissolution proceedings.

The number of bankruptcy proceedings was only 39 in the course of the year.

The number of business deaths was 6.3% lower than in the previous year. The decrease was caused by the closures among business partnerships, while a slight increase was observed among entrepreneurs.

Registered enterprises

At the end of 2017, 1 million 720 thousand enterprises were registered in Hungary, 22 thousand more than a year earlier. The increase was caused by a rise in the number of entrepreneurs, while the number of business partnerships continued to decrease.

The decline in the number of business partnerships can be explained by legislative changes. The New Civil Code entered into force on 15 March 2014 made it compulsory for private limited liability companies to increase their share capital to HUF 3 million. The legislation gave a 2-year reprieve from the entry into force to increase the share capital, which was extended by one year in 2016, but it became due immediately if the articles of association were amended. If the share capital will not be increased, the private limited liability company must be transformed into a limited partnership or a general partnership.

Table 1

Changes in the number of registered business units

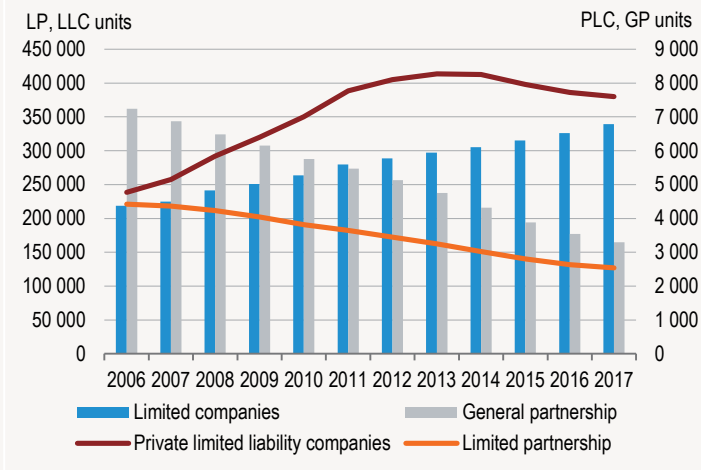
Legal form	2016	2017	Change, %
	31 December		
Business partnerships	540 585	529 608	-2.0
Of which: business associations with legal entity	527 791	516 989	-2.0
Entrepreneurs	1 156 651	1 189 993	2.9
Of which: private entrepreneurs	420 671	450 901	7.2
licensed agricultural small-scale producers	269 099	256 758	-4.6
Enterprises, total	1 697 236	1 719 601	1.3
Budgetary units and entities	12 636	12 704	0.5
Non-profit institutions	129 609	130 305	0.5
Other organisations	6 620	7 805	17.9
Business units, total	1 846 101	1 870 415	1.3

On 31 December 2017, the **number of business partnerships** was 530 thousand, 11 thousand less than one year earlier. A 1.5% decline in the number of private limited liability companies played a key role in the downturn as these accounted for seven tenths of business partnerships, which was the consequence of the previously mentioned compulsory share capital increase.

The private limited liability companies previously proved extremely popular, after the share capital reduction on 1 September 2007, 262 thousand private limited liability companies were formed until the changes which took place in 2014 (only HUF 500 thousand share capital was necessary to form a private limited liability company).

In 2017, among business associations – similarly to the previous years – only the number of limited companies increased (by 4.1%). In addition to private limited liability companies, the number of limited partnerships and general partnerships decreased (by 3.8% and 6.8%, respectively), continuing several years of decline.

Figure 1
Changes in the number of business associations (31 December)



At the end of 2017, the number of **entrepreneurs** was 1 million 190 thousand, 2.9% higher than one year before, which was 0.5 percentage point more than the increase of 2016. By type of working, part-time and full-time entrepreneurs as well as pensioner entrepreneurs accounted for 45%, 35% and 20%, respectively. The tendency of previous years continued with a rise among part-time and full-time entrepreneurs, while the number of pensioner entrepreneurs decreased in 2017, as well.

Private entrepreneurs accounted for 38% of all entrepreneurs. Their number continued to increase in the past year, and the rate of the increase (7.2%) was significantly higher again than in the previous year.

The number of private entrepreneurs increased steadily during the year, we registered a decline only in December. Changes in their number were also influenced by the legislation.

The increase in the number of private entrepreneurs – which was higher than in the previous years – can be explained by the introduction of new taxes, KATA (itemised tax of small taxpayers) and KIVA (tax of small enterprises), on the one hand, and by the tightening of company registration rules, on the other hand, which are used according to legislations aimed at restricting the potential abuses since 2012 (the one-hour company registration came to an end, the authorities increased the registration duty). All these changes channel those who are interested in new registrations towards the form of private entrepreneurship. The considerably lower administrative burdens of the operation is the further advantage of private entrepreneurship, as opposed to companies.

By type of working, within private entrepreneurs full-time and part-time entrepreneurs as well as pensioner entrepreneurs accounted for 54%, 39% and 7%, respectively. In 2017, the number of full-time and part-time entrepreneurs became higher, that of pensioners became lower.

The number of traditional small-scale agricultural producers, who are private individuals with tax number, decreased by 4.6%.

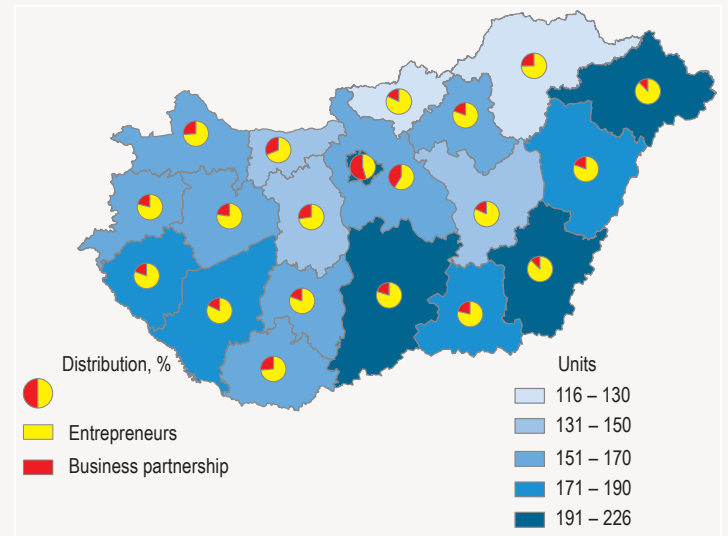
In the case of business partnerships and entrepreneurs, there were huge differences in the **regional distribution** of businesses. More than four tenths of all business partnerships were registered in Budapest, other regions accounted for 6.1–15.7%. Concerning entrepreneurs, there was a much more balanced distribution: the share of 19% of Northern Great Plain was followed by shares of between 9.3% and 16.3% in the other regions. This regional distribution has not changed significantly for years.

With the exception of Békés and Bács-Kiskun counties, the number of businesses increased in all counties, to the highest extent in Pest, Fejér and Győr-Moson-Sopron counties.

There were 176 businesses per thousand residents in national average: 54 business partnerships and 122 entrepreneurs. The percentage concerning business partnerships was above the national average only in the case of Budapest and Pest County. In relation to entrepreneurs – due to the large number of traditional small-scale agricultural producers – the indicator was

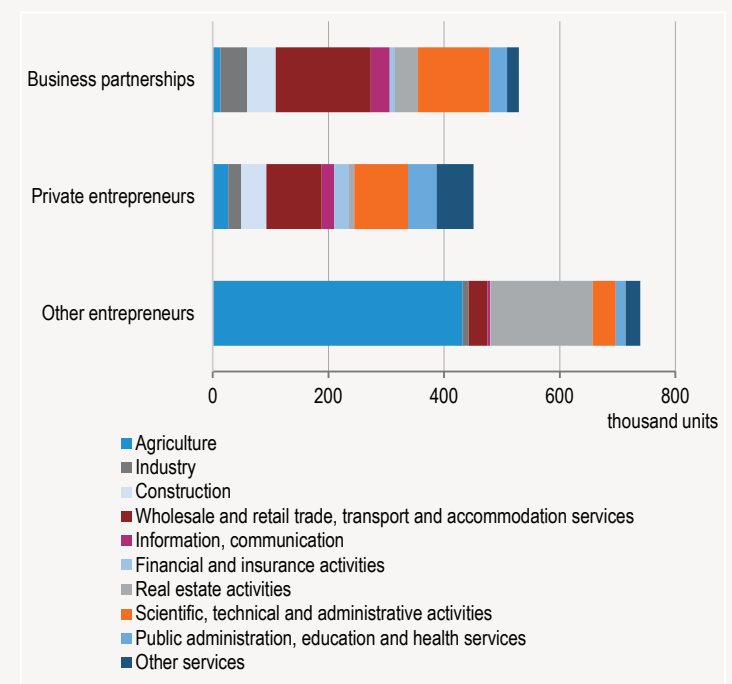
above the average in the Great Plains, as well as in Southern and Western Transdanubia.

Figure 2
Number of registered enterprises per thousand residents and their distribution according to legal form by county, 2017



The **distribution of enterprises by main activity** was similar to that of the previous year: 27% of them worked in the agriculture, the other significant sections were ‘real estate activities’ (13%), ‘wholesale and retail trade’ (11%) as well as ‘scientific and technical activities’ (legal, accounting, tax consultancy and engineering activities, 11%). After the introduction of the compulsory registration of agricultural small-scale producers in 2008, the proportion of agricultural enterprises increased significantly, so it is worth over-viewing separately the distribution of business partnerships and private entrepreneurs by main activity.

Figure 3
Distribution of enterprises by main activity, 2017



Both among business partnerships and among private entrepreneurs, most businesses were registered in the ‘wholesale and retail trade’ (23% and 13%, respectively), which was followed by the sections of ‘scientific and technical activities’ (18% and 15%, respectively), and of ‘construction’

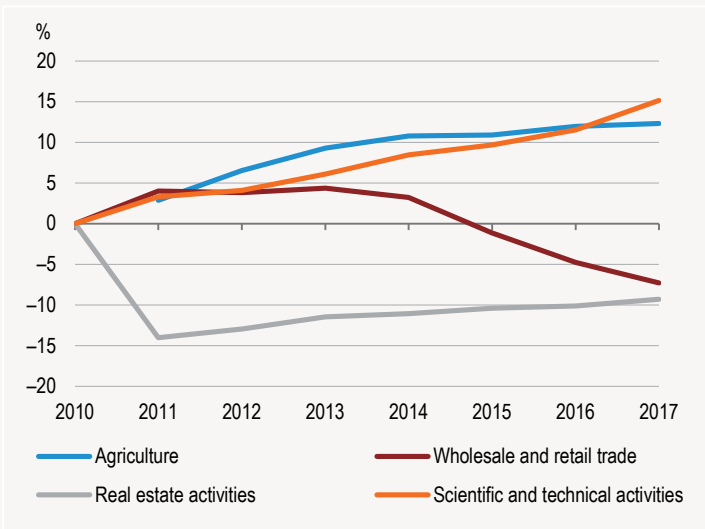
(9.2% and 9.7%), and in the case of private entrepreneurs, the section of 'other services' (10%). The previously mentioned small-scale producers were recorded in the group of other entrepreneurs. In this latter group, the number of those working in agriculture was nearly 60% and a further one quarter of them dealt with flat letting in the section of 'real estate activities'.

The number of enterprises registered in the most significant economic sections evolved in opposite directions. The number of enterprises registered in the 'wholesale and retail trade' fell, the number of those acting in the fields of 'agriculture' and 'real estate activities' rose slightly (by below 1.0%), while among businesses in the area of 'scientific and technical activities' a larger increase was registered (3.2%).

The directions of the changes followed the trends of the previous years: the number of businesses in the fields of 'agriculture' and 'scientific and technical activities' increased year-on-year, that of businesses in the field of 'real estate activities' has been continuously increasing, as well since the large drop in 2011, while the number of those, acting in the area of 'wholesale and retail trade' – following an increase in 2011 – essentially stagnated, then in the last four years decreased. The drop occurred in the area of 'real estate activities' was due to the introduction of the new legal forms classification of 1 January 2011, according to which condominiums operating in the field of 'real estate activities' were reclassified from business partnerships to non-profit organisations. 36 thousand condominiums were subject to this reclassification.

Figure 4

Changes in the number of registered enterprises in the significant economic sections, compared to the end of 2010



There was no change in the distribution of enterprises by staff category compared to the previous years: 99.7% of them were small businesses (within this micro businesses with fewer than 10 employees accounted for 97.8%), medium-sized and large enterprises accounted for 0.3% and only 0.1%, respectively.

New registrations

In 2017, the number of newly registered enterprises was 121 thousand, 7.4% higher than in 2016. The new registrations of both business partnerships and entrepreneurs increased: by 2.4% and 9.0%, respectively. Among entrepreneurs, the number of newly registered private entrepreneurs rose by an even higher 20%.

The number of the new registrations of private limited liability companies, having significant weight among business partnerships – after the decline in 2015 – increased by 2.0% in 2017. The number of those registered as limited company increased by 9.4%, as well. The new registrations of limited partnerships decreased for many years, in contrast their number rose by 16% in 2017.

Nearly one quarter of businesses registered in a corporate form were launched in the field of trade, a further 15% of them was established in the area of construction and 13% in the area of scientific and technical activities.

Among private entrepreneurs, scientific and technical activities as well as construction played a key role with 16% and 12%, respectively, but the share of start-up businesses was also above 10% in the fields of other services and trade.

With the exception of industry and real estate activities the number of start-up businesses rose in all sections of the economy, to the highest extent in the areas of construction and health services by 38% and 17%, respectively.

41% of the newly registered enterprises was realised in Central Hungary, 32% of them in the Great Plain and North as well as 27% of them in the large region of Transdanubia. Out of the counties, new registrations in Vas and Zala counties decreased by 2.0% and 0.4%, respectively compared to the previous year, the number of registrations increased in the other counties, especially in Baranya, Pest and Veszprém counties (by 12%).

Table 2

Number of newly registered economic organisations and that of those under bankruptcy, liquidation, dissolution and forced deletion proceedings, as well as the number of ceased economic organisations*

Denomination	2016	2017
Number of registered business units at year-end	1 846 101	1 870 415
Number of new registrations	118 587	127 420
Of which:		
business partnerships	26 030	26 663
private entrepreneurs	57 202	68 594
Number of business partnerships subject to liquidation proceedings	7 517	6 469
Of which:		
private limited liability companies	6 855	5 953
limited companies	70	65
limited partnerships	513	391
Number of business partnerships subject to dissolution proceedings	7 532	9 536
Of which:		
private limited liability companies	4 923	6 102
limited companies	61	44
limited partnerships	2 228	3 040
Total number of organisations subject to bankruptcy, liquidation, dissolution and forced deletion proceedings at year-end	50 956	44 540
Number of business deaths	110 918	103 923
Of which:		
business partnerships	46 292	37 689
private entrepreneurs	39 574	42 929

* In the case of business partnerships subject to a liquidation, dissolution or bankruptcy proceeding, only the first procedure is taken into account. If an enterprise wants to finish its activity and becomes subject to a dissolution proceeding, but later changes to a liquidation proceeding, then this enterprise will be only accounted for in the group of dissolution. The related duplications are not taken into account. Data are always produced by the first step of the way of dissolution.

Liquidations

Concerning business partnerships, the number of liquidation proceedings was 6.5 thousand in 2017, which is 85% of the liquidation proceedings of last year, so after the increase registered in 2012–2014, the decrease – which started in 2015 – continued after 2016 in 2017, as well.

Private limited liability companies accounted for 92% of all proceedings, another 6.0% was launched among limited partnerships. The number of proceedings initiated in the course of the year decreased by 13% among private limited liability companies, by 36% among limited partnerships and by 8.1% among limited companies.

As in the previous years, most proceedings were initiated by the creditors in the sections of 'wholesale and retail trade' (29%) and 'construction' (13%). The number of liquidations increased only in the area of health services by 5.6%, and decreased in the other sections of the economy – to the highest extent – by more than 20% in the areas of information, communication and education.

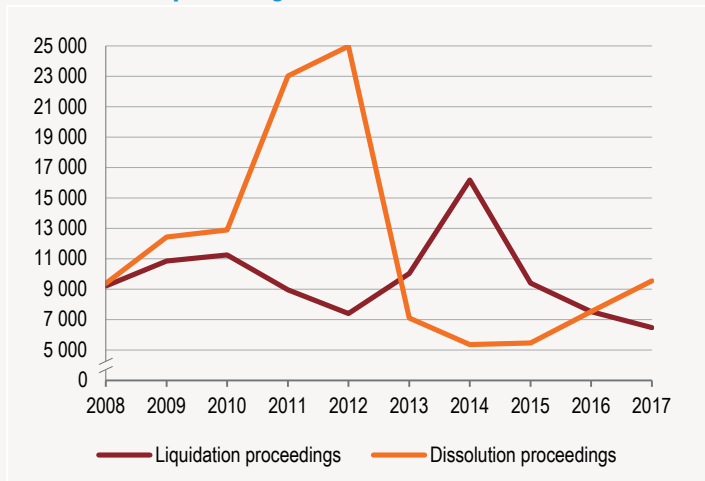
In 2017, similarly to the previous years – based on the number of persons taking part in the business activity – small and micro enterprises accounted for 99% of the liquidations initiated by creditors, in the category of medium-sized enterprises 74, among large enterprises 13 proceedings were launched.

Liquidations of small and micro enterprises fell by 14%, in contrast the number of proceedings launched at medium-sized enterprises and large enterprises increased by 5 and 9, respectively.

The number of proceedings increased by 20–50% in one third of the counties, that of liquidations in Csongrád County rose outstandingly, to more than twice higher, in the other counties decreased by 20% on average, however, in Baranya, Heves and Szabolcs-Szatmár-Bereg counties this level was less than half of the figure measured in 2016.

Figure 5

Number of business partnerships under liquidation and dissolution proceeding



Dissolution proceedings

The number of owner-initiated dissolution proceedings was more than 9,500 in 2017. The number of proceedings initiated in 2011–2012 was outstandingly high, following this period – after the fall lasting for two years – it remained unchanged in 2015, then an increase was recorded in 2016 compared to the low base, and a further 27% rise was observed in 2017. Beside business partnerships, other nearly 2 thousand non-profit organisations chose this proceeding to terminate their activity.

Private limited liability companies saw the most dissolution proceedings (6.1 thousand), their number – which was slightly behind the 36% increase measured in the previous year – rose by 24% in 2017. The dissolution proceedings of limited partnerships (3 thousand) were 36% higher than the already not low level of 2016. In the case of limited

companies, following a temporary increase in 2016, the number of proceedings decreased by nearly 30%.

Most dissolution proceedings were initiated by the owners in the fields of 'scientific and technical activities' (20%), 'wholesale and retail trade' (16%) and 'other services' (10%). With the exception of arts, entertainment and other services, the number of dissolution proceedings increased in all economic sections, to the highest extent in the sections of accommodation services (39%) and industry (37%).

Micro enterprises accounted for the determining proportion of dissolution proceedings, this made up 99.1% of all proceedings. 19 dissolution proceedings were launched among medium-sized enterprises and 1 among large enterprises. In the category of small and medium-sized enterprises the number of proceedings became higher (20% and 5.6%, respectively), however, at enterprises with more than 250 employees it fell to one third of the level measured in the previous year.

The number of voluntary dissolutions decreased in Békés and Zala counties by 20% and rose in the other counties. The rate of the growth was 29% on average, however, we registered an outstanding – 2.3-fold – increase in Nógrád County.

Bankruptcy proceedings

The number of bankruptcy proceedings was 39 in 2017 as opposed to 50 in the previous year. I.e. bankruptcy proceedings did not become a widely applied solution of businesses having temporary liquidity problems to avoid dissolution proceedings.

The 2009 bankruptcy law tried to find a solution for the challenges of financial crisis, which rewrote the rules of bankruptcy proceeding as reorganisation proceeding. The justification of the Act emphasised: 'It can be predicted, that the new rules of bankruptcy proceeding, having regard to the equitable interests of debtors and creditors can promote that businesses, having liquidity or payment difficulties due to the loss-making activities, rather file for bankruptcy at an early stage, than later, with a significant amount of debt, they will be involved in a liquidation proceeding. The aim is that businesses, having financial difficulties, try to reorganise their operation in the framework of a bankruptcy proceeding before the court and in the possession of bankruptcy protection, and in order to repay their debts they can reach an agreement with the creditors, with the purpose of avoiding liquidations, i.e. the termination of businesses without legal successor after a long proceeding due to payment difficulties.'

According to the previous bankruptcy law, the debtors obtained a payment moratorium only by the decision of creditors passed by qualified majority, what they usually did not obtain. However, the amended bankruptcy law immediately gives a delay of payment and allows 90 days to reach an agreement with the creditors in order to avoid liquidations. This resulted in a jump in a number of bankruptcy procedures since the introduction of the law in September 2009. Prior to the introduction of the legislation, a couple of procedures were launched per year, however, it has surpassed one hundred per year between 2010 and 2013. Compared to this latter, a decrease was observed in the past four years, the number of cases remained well below 100.

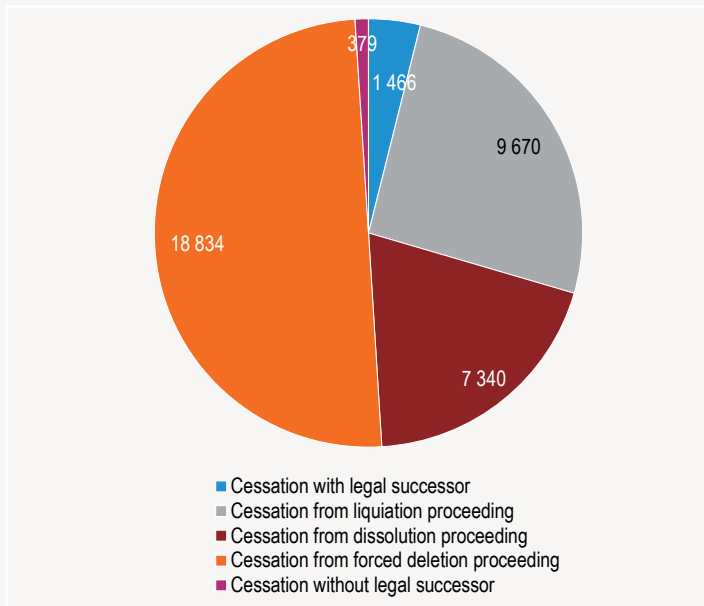
Business deaths

In 2017, the number of liquidated organisations was 104 thousand, from this 99 thousand were enterprises and 4 thousand non-profit organisations. The number of closures decreased further it was 6.3% lower than in the previous year. While the number of liquidated business partnerships fell by 19%, that of entrepreneurs became 2.0% and within this private entrepreneurs 8.5% higher compared to the level of the previous year.

In all legal forms belonging to the category of business associations the number of business deaths decreased: among general partnerships by 31%, among limited partnerships by 27%, among private limited liability companies by 7% and among limited companies by 3%.

Figure 6

Distribution of business deaths among business partnerships, by the way of cessation, 2017



Half of the business partnerships closed their operations by forced deletion¹, further one quarter of them by liquidation, 20% of them by dissolution and 3.9% of the business partnerships was cessation with legal successor.

Most liquidated economic organisations were observed in the fields of trade (18%), agriculture (13%) and scientific and technical activities (10%).

The number of liquidated organisations out of the economic sections, having more significant weight, decreased in the fields of real estate activities, trade and scientific and technical activities by nearly 20%, 10% and about 4%, respectively, however, it increased in the field of agriculture by 2%.

99.1% of the liquidated enterprises were enterprises with 0–9 employees, further 0.8% of them were enterprises with 10–49 employees. In the staff category of 50–249 employees 108 and in that of above 250 employees 17 enterprises closed their operations.

The number of business deaths fell in all cumulated staff categories: in the categories of medium-sized and large enterprises by 14% and 23%, respectively and among both small and micro enterprises by 6.3%.

40% of the business deaths was concentrated in Central Hungary, 35% of them in the Great Plain and North and 25% of them in the large region of Transdanubia.

The number of liquidated organisations rose in one third of the counties, to the highest extent in Bács-Kiskun County (by 61%), in the other counties it fell by 5% on average.

¹ The Court of Company Registration initiates a forced deletion proceeding if it declares that the enterprise is liquidated, under its competence of judicial review, if the enterprise did not complete the dissolution within three years, if the enterprise did not perform the transition to the general rules of dissolution proceeding, if something happened that caused the cessation of the enterprise without legal successor and there are no grounds for carrying out dissolution proceeding.

Further information, data (links):

[Tables](#)

[Tables \(stadat\)](#)

[Methodology](#)

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