



## The number of registered business units, 2018

### Contents

Summary .....	1
Registered enterprises .....	1
New registrations .....	2
Liquidations .....	3
Dissolution proceedings .....	3
Bankruptcy proceedings .....	3
Business deaths .....	4

### Summary

On 31 December 2018, the number of **registered business units** was 1 million 909 thousand, 38 thousand more than a year ago.

The number of business organizations increased steadily from 1998 to 2014, but this tendency was broken due to legislative changes. From 2016, the expansion continued, so their number was already 3.3% higher than the 2014 peak.

Three tenths of enterprises were business partnerships and seven tenths entrepreneurs. The number of the former decreased, that of the latter increased.

More than half of business partnerships and just over a quarter of entrepreneurs were based in the large region of Central Hungary.

Most businesses continued to operate in the fields of agriculture, real estate, professional, scientific and technical activities, and trade.

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

In 2018, the number of newly registered enterprises was 4.0% higher than in 2017. The number of new registrations grew among both business partnerships and entrepreneurs.

The number of liquidation proceedings initiated among business partnerships steadily decreased in the last four years. Liquidations increased only in transportation and storage and declined in other sectors.

In 2018, the number of owner-initiated dissolution proceedings was 8.8 thousand, 7.2% less than last year. These procedures were mainly initiated by the owners of micro-enterprises.

### Registered enterprises

At the end of 2018, 1 million 757 thousand enterprises were registered in Hungary, 38 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

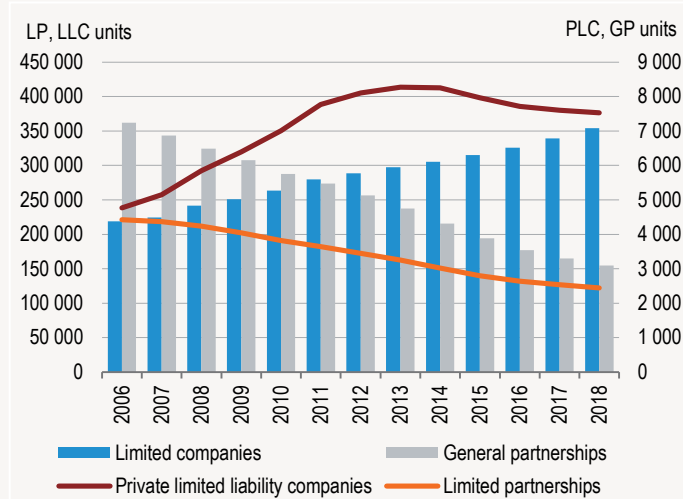
Legal form	2017	2018	Change, %
	31 December		
Business partnerships	529 608	521 003	-1.6
Of which: business associations with legal entity	516 989	508 609	-1.6
Entrepreneurs	1 189 993	1 236 486	3.9
Of which: private entrepreneurs	450 901	493 958	9.5
Enterprises, total	1 719 601	1 757 489	2.2
Budgetary units and entities	12 704	12 683	-0.2
Non-profit institutions	130 305	130 361	0.0
Other organisations	7 805	8 275	6.0
<b>Business units, total</b>	<b>1 870 415</b>	<b>1 908 808</b>	<b>2.1</b>

On 31 December 2018, the **number of business partnerships** was 521 thousand, 9 thousand less than one year earlier. A 1.0% 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).

Figure 1

### Changes in the number of business associations (31 December)



At the end of 2018, the number of **entrepreneurs** was 1 million 236 thousand, 3.9% higher than one year before. Four tenths of self-employed persons were private entrepreneurs, their number increased by 9.5% in one year, the rate of growth again exceeded that of the previous year.

The increase in the number of private entrepreneurs can be explained by the introduction of 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 pieces of legislation 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 burden of operation is the further advantage of private entrepreneurship, as opposed to companies.

Business partnerships and entrepreneurs saw huge differences in the **regional distribution of businesses**. Budapest and the region of Pest accounted for 40.7% and 15.6% respectively, resulting in a combined share of 56.3% for the large region of Central Hungary, and the share of other regions ranged from 6.1% to 8.2%. The regional distribution of entrepreneurs is more balanced: the share of Budapest, Southern Great Plain and Northern Great Plain ranged between 16% and 18%, while that of other regions ranged around one tenth.

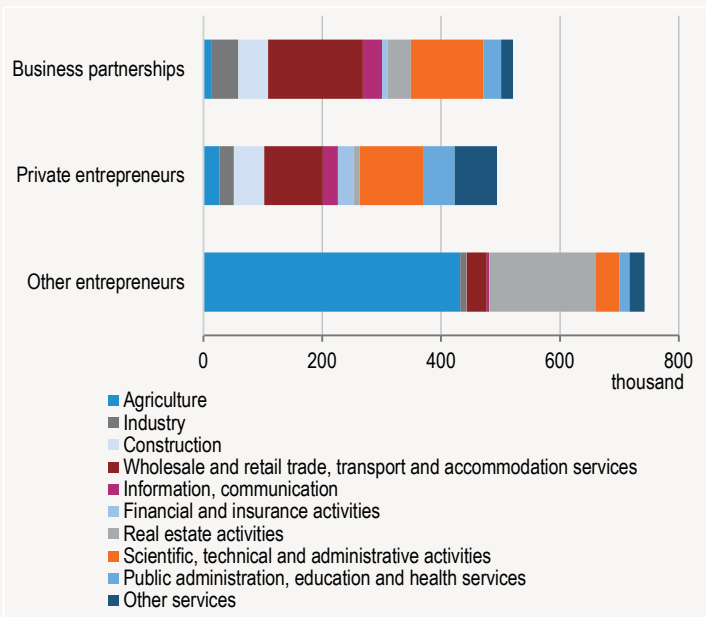
The number of businesses increased in the capital and in all counties. The highest growth was recorded in Budapest (9.5 thousand) and Pest County (8.2 thousand), followed by Győr-Moson-Sopron, Fejér and Veszprém counties (1.5-2.7 thousand).

The national average was 180 businesses per thousand residents: 53 business partnerships and 127 entrepreneurs.

The **distribution of enterprises by main activity** was similar to the previous year: 27% of them worked in agriculture; other major sectors were real estate transactions (13%), scientific and technical activities, i.e. mainly legal, accounting, tax advisory, engineering activities (11%) as well as wholesale and retail trade (10%). After the introduction of the compulsory registration of agricultural small-scale producers in 2008, the proportion of agricultural enterprises increased significantly.

Figure 2

**Distribution of enterprises by main activity, 2018**



Most business partnerships and private entrepreneurs are registered in wholesale and retail trade (23% and 13% respectively) as well as in scientific and technical activities (18% and 15% respectively). This was followed by construction (9.2% among business partnerships and other services (10%

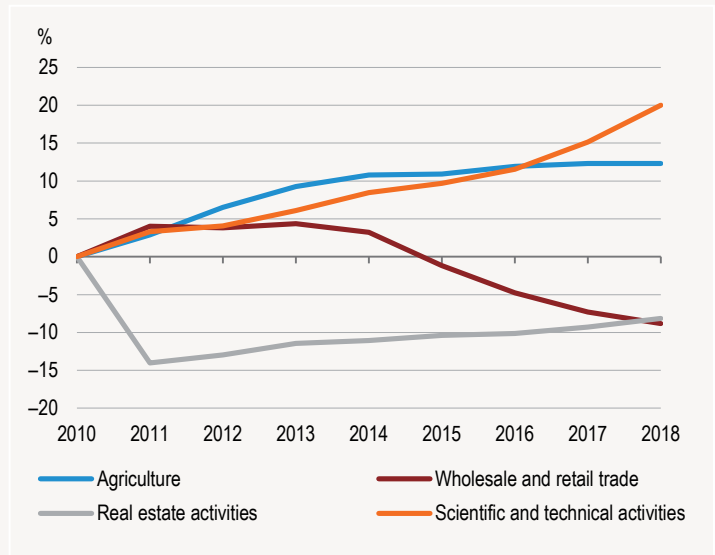
among private entrepreneurs. Small scale producers are listed among other entrepreneurs, among them the proportion of people working in agriculture was close to 60%, another nearly one quarter of them dealt with home lettings in the real estate sector.

In the most important sectors, the number of registered businesses fell in wholesale and retail trade, increased slightly in agriculture and real estate and significantly (by 4.2%) in scientific and technical activities.

The changes were in line with 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 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' in 2011 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 3

**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 97.9%), medium-sized and large enterprises accounted for 0.3% and only 0.1%, respectively.

**New registrations**

In 2018, the number of newly registered enterprises was 126 thousand, 4.0% higher than in 2017. The new registrations of both business partnerships and entrepreneurs increased: by 3.3% and 4.2%, respectively. Among entrepreneurs, the number of newly registered private entrepreneurs rose by an even higher 9.3%.

The number of the new registrations of private limited liability companies, having significant weight among business partnerships – after the decline in 2015 – increased by 6.4% in 2018.

By distribution, business partnerships were in the following sectors: trade and vehicle repair (nearly one quarter), construction (18%), scientific and technical activities (13%).

For newly registered private entrepreneurs, the most important sectors were: scientific and technical activities (16%), construction (14%), other services (over 10%, e.g. repair of computers and household goods, cleaning, hairdressing).

The number of start-ups decreased most in agriculture (3.3 thousand), followed by accommodation and trade (a few hundred strong decline). Compared to the previous year the most significant increase was in construction (3.5 thousand) and administrative and service support activities (1.7 thousand).

42% of new enterprises were registered in Central Hungary, 31% in Great Plain and North and 26% in the large region of Transdanubia.

Table 2

### Number of newly registered business units and that of those under bankruptcy, liquidation, dissolution and forced deletion proceedings, as well as the number of ceased business units\*

Denomination	2017	2018
Number of registered business units at year-end	1 870 415	1 908 808
Number of new registrations	127 420	130 851
Of which:		
business partnerships	26 663	27 556
private entrepreneurs	68 594	74 998
Number of business partnerships subject to liquidation proceedings	6 469	5 638
Of which:		
private limited liability companies	5 953	5 150
limited companies	65	68
limited partnerships	391	335
Number of business partnerships subject to dissolution proceedings	9 536	8 847
Of which:		
private limited liability companies	6 102	4 133
limited companies	44	46
limited partnerships	3 040	4 091
Total number of organisations subject to bankruptcy, liquidation, dissolution and forced deletion proceedings at year-end	44 540	43 723
Number of business deaths	103 923	93 080
Of which:		
business partnerships	37 689	36 200
private entrepreneurs	42 929	35 750

\* In 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 5.6 thousand in 2018, 13% less than in the previous year, so after the increase registered in 2012–2014, the decrease – which started in 2015 – continued in 2018, as well.

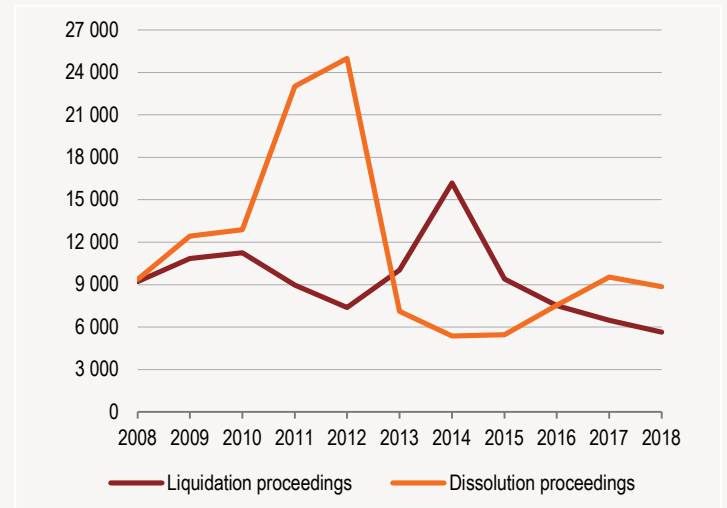
Private limited liability companies accounted for 91% of all proceedings. The number of proceedings initiated in the course of the year decreased by 13% among private limited liability companies and by 14% among limited partnerships.

As in the previous years, most proceedings were initiated by the creditors in the sections of 'wholesale and retail trade' (28%) and 'construction'

(14%). The number of liquidations increased only in the area of transportation and storage by 6.0%, and decreased or stagnated in other sections of the economy.

Figure 4

### Number of business partnerships under liquidation and dissolution proceeding



### Dissolution proceedings

The number of owner-initiated dissolution proceedings was more than 8.8 thousand in 2018. The number of proceedings initiated in 2011–2012 was outstandingly high, following this period – after the fall lasting for two years – it slightly changed in 2015, then an increase was recorded in 2016 compared to the low base, and a further 27% rise was observed in 2017. In 2018, this was followed by a 7.2% correction. In addition to business partnerships, another 1.2 thousand non-profit organisations opted for this proceeding to terminate their activity.

Mostly the owners of private limited liability companies and limited partnerships (4.1 thousand owners in both cases) decided to liquidate their business with dissolution proceeding. The number of the former fell by 32% in 2018 compared to 24% a year earlier, but in case of limited partnerships the 36% increase in 2017 was followed by an additional 35% increase in 2018. The number of limited companies under dissolution proceeding increased by 2 compared to the previous year.

In 2017, most dissolution proceedings were initiated by owners in the field of science and technology (21%) as well as in wholesale and retail trade (15%). With the exception of manufacturing (+ 3.2%) as well as the sector of information and communication (+2.3%), the number of proceedings decreased in all economic sectors.

The number of people who closed their entrepreneurial activity with dissolution proceeding decreased in all counties. The number of these proceedings decreased most in Tolna county (44%) and least in Budapest (1.8%) and Baranya county (5.5%).

### Bankruptcy proceedings

Business partnerships saw 15 bankruptcy proceedings in 2018 and 17 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 five years, the number of cases remained well below 100.

### **Business deaths**

In 2018, the number of liquidated organisations was 93.1 thousand, from this 88.4 thousand were enterprises and 4.2 thousand non-profit organisations. The number of closures decreased further, down 10.4% year-on-year. The number of business deaths decreased year-on-year by 4.0% among business partnerships and by 14.8% among entrepreneurs including a 16.7% drop for private entrepreneurs.

In all legal forms belonging to the category of business associations the number of business deaths decreased: among limited companies by 15%, among general partnerships by 12%, among limited partnerships by 7.7% and among private limited liability companies by 2.3% .

#### **Further information, data (links):**

[Tables](#)

[Tables \(stadat\)](#)

[Methodology](#)

#### **Contact details:**

[kommunikacio@ksh.hu](mailto:kommunikacio@ksh.hu)

[Contact us!](#)

Telephone: +36 1 345 6789

[www.ksh.hu](http://www.ksh.hu)