



# THE ECONOMIC IMPACT OF HUAWEI IN HUNGARY

NOVEMBER 2020

# HUNGARY

## HUAWEI'S ECONOMIC IMPACT IN 2019

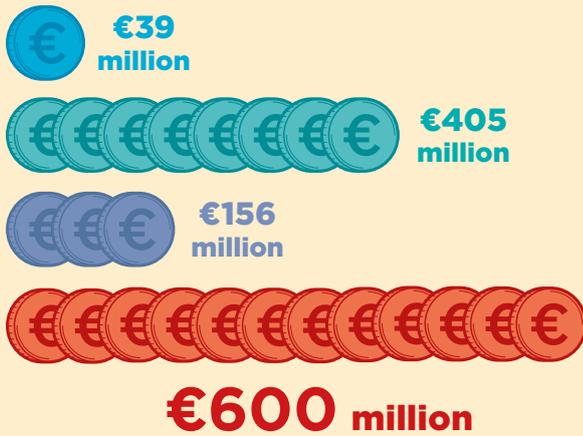
● Direct      ● Indirect  
● Induced      ● Total

Totals may not sum due to rounding.

### SPENDING WITH HUNGARIAN SUPPLIERS

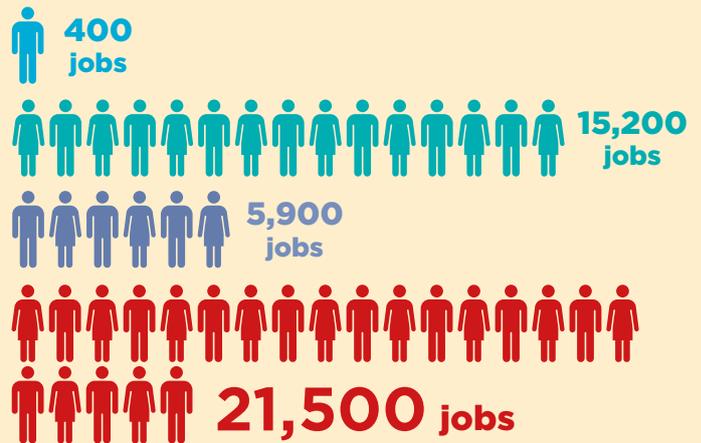


### CONTRIBUTION TO GDP



0.4% of Hungary's total GDP

### EMPLOYMENT



0.5% of Hungary's total employment

### TAX REVENUES



## HUAWEI'S ECONOMIC IMPACT BETWEEN 2015 AND 2019

All figures are annual averages (monetary values in 2019 prices)

### Spend with Hungarian suppliers:



### Contribution to GDP:



### Employment:



### Tax revenues:



Real growth in tax revenues 2015-2019:



# THE ECONOMIC IMPACT OF HUAWEI IN HUNGARY

Huawei expanded its operations to Hungary in 2005, with headquarters located in the country’s capital, Budapest. The company is part of the Serbia-Hungary representative office and provides telecom services to 80% of Hungarians. Huawei has made a considerable contribution to the Hungarian economy over the last five years, through its local operations and its procurement from Hungarian-based suppliers.

Huawei commissioned Oxford Economics to investigate and quantify its economic contribution to Europe in 2019. This summary report details the contribution the company made in Hungary.

## HUAWEI’S ECONOMIC CONTRIBUTION

Huawei’s contribution to the Hungarian economy is captured through three channels:

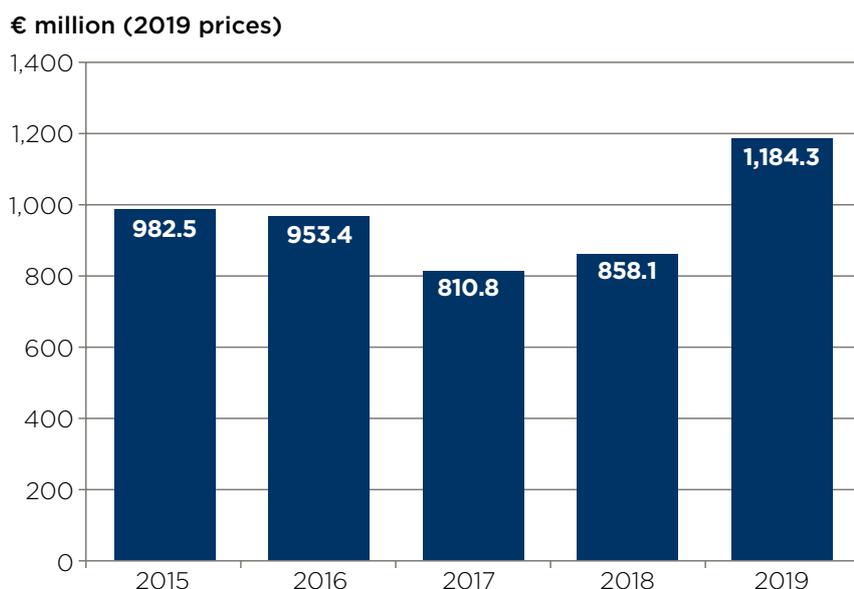
- Huawei’s **direct contribution** is generated through its own operations in Hungary, as well as the direct hiring of Hungarian staff and direct tax payments to the Hungarian government.
- In conducting its operations, Huawei purchases inputs of goods and services from Hungarian suppliers. This procurement supports economic activity, jobs and taxation further along its local supply chain. This activity along the supply chain is known as the firm’s **indirect contribution**.

- In addition, Huawei and the firms in its supply chain pay their staff wages. These wage payments are spent on goods and services at retail, leisure and other outlets, stimulating additional gross value added (GVA), employment and taxes through Huawei’s **induced contribution**.

In 2019, Huawei made a direct GVA contribution to Hungarian GDP of €39.4 million, up from €33.3 million in 2015—equivalent to average annual growth of 4.3%.<sup>1</sup> In making this direct GVA contribution in 2019, Huawei spent €1.18 billion on inputs from Hungarian suppliers (see Fig. 1 below); this was 14.1% of Huawei’s procurement in Europe.<sup>2</sup> Huawei’s procurement in Hungary has increased significantly (in real terms) since 2015, up from €0.98 billion (an average annual rise of 4.8%).

Huawei’s procurement stimulated a €404.8 million GVA contribution along its Hungarian supply chain (its indirect impact) in 2019. This is a 5.2% average annual rise from the €330.9 million in 2015 (in real terms). The majority of this contribution (€255.4 million or 63.1%) was stimulated in the manufacturing industry (see Fig. 2).

**Fig. 1: Huawei’s procurement from Hungarian suppliers, 2015-2019**



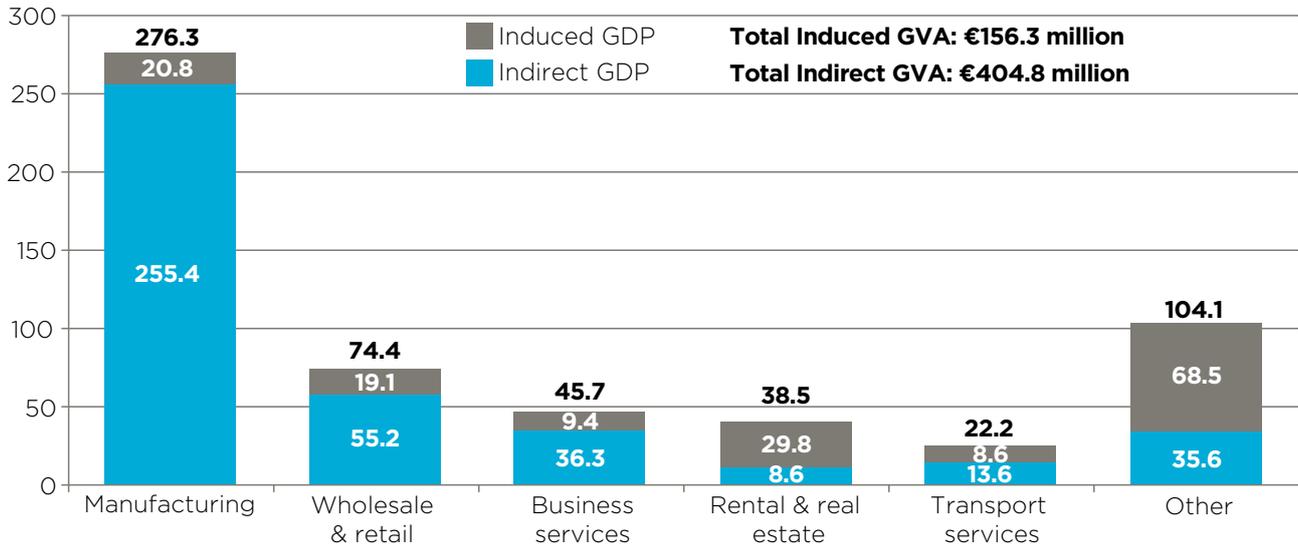
Source: Huawei

<sup>1</sup> All figures throughout this report are presented in 2019 prices and comparisons are measured in real terms.

<sup>2</sup> More specifically, the twelve countries in which Huawei conducts most of its procurement within Europe.

**Fig. 2: Huawei's indirect and induced contribution to Hungary GDP by industry, 2019**

€ million



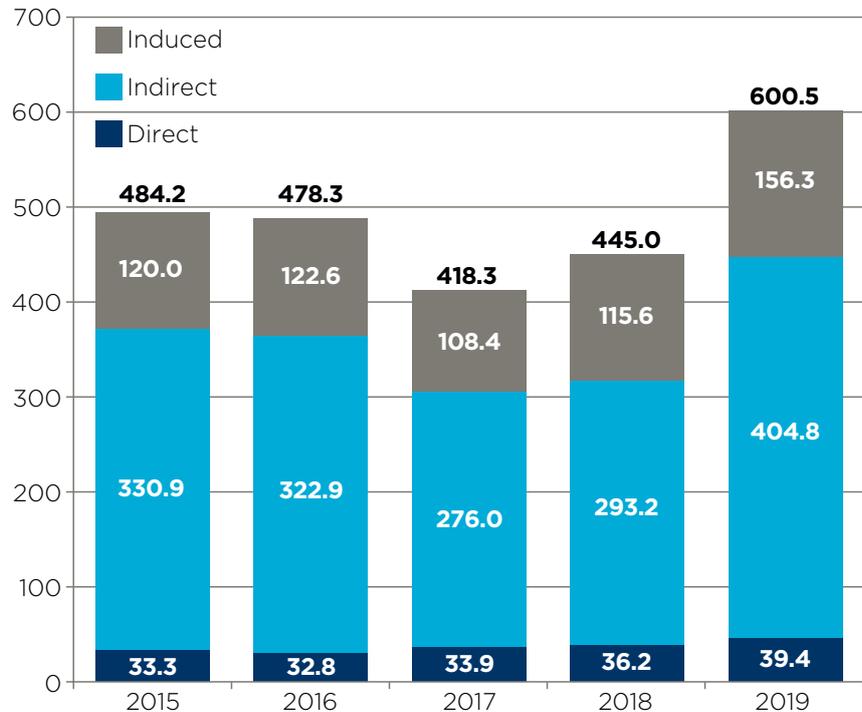
Source: Huawei, Oxford Economics

A further €156.3 million contribution to Hungarian GDP was supported through the induced channel in 2019. This was up from €120.0 million in 2015, corresponding to an average annual rise of 6.8%. Of this, 19.1%, or €29.8 million, was supported in the rent & real estate sector.

In total we estimate that Huawei's operations around Europe supported an overall contribution to Hungarian GDP of €600.5 million in 2019, accounting for 0.4% of Hungary's total economy that year (see Fig. 3). The firm's contribution to the Hungarian economy has increased notably in recent years, recording an average annual real growth rate of 5.5% between 2015 and 2019.

**Fig. 3: Huawei's direct, indirect and induced contribution to Hungary GDP, 2015-2019**

€ million (2019 prices)



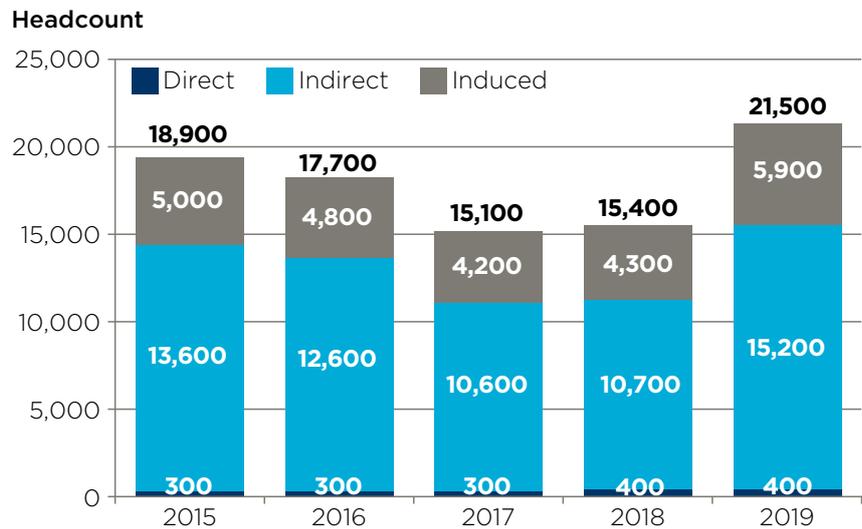
Source: Huawei, Oxford Economics

The economic activity Huawei supported in Hungary also sustains employment in the country. In 2019, the company employed 400 workers in Hungary, an increase from 300 in 2015 (see Fig. 4). Its procurement supported 15,200 jobs along its Hungarian supply chain, up from 13,600 in 2015—this is equivalent to an average annual rise of 2.8%. A further 5,900 jobs were sustained by wage-financed spending in the induced channel in 2019, representing an average annual increase of 4.2% since 2015.

Combined, the total number of jobs supported in Hungary by Huawei was 21,500 in 2019. This was up from the 18,900 jobs supported in 2015 (which corresponds to a 3.3% average annual rise) and equated to 0.45% of national employment in 2019.

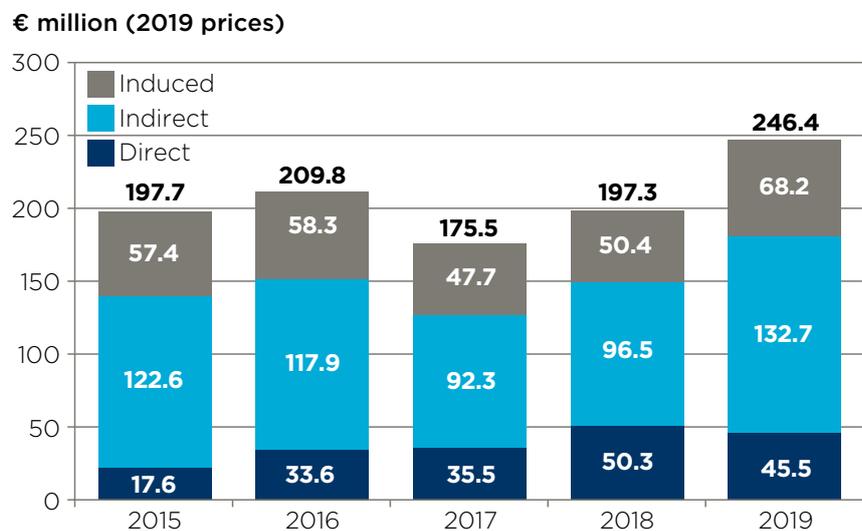
Finally, Huawei makes a positive contribution to public finances in Hungary, through taxes generated in the direct, indirect and induced channels. This supports essential spending on important public services. Huawei and its staff contributed €45.5 million to Hungarian tax receipts in 2019, up from €17.6 million in 2015—see Fig. 5. Huawei’s procurement from Hungarian suppliers stimulated a further €132.7 million in tax receipts in the indirect channel. Compared to the €122.6 million in 2015 this represented an average annual rise of 2.0%. An additional contribution to taxation of €68.2 million

**Fig. 4: Huawei’s contribution to employment in Hungary, 2015-2019**



Source: Huawei, Oxford Economics

**Fig. 5: Huawei’s contribution to Hungary tax receipts, 2015-2019**



Source: Huawei, Oxford Economics

was supported in 2019 via the induced channel. This compares to €57.4 million through the same channel in 2015, an average annual rise of 4.4% over the five-year period. In total, Huawei supported €246.4 million in tax receipts

in Hungary in 2019, equivalent to an average annual increase of 5.7% since 2015. The total taxation of €246.4 million supported by Huawei in 2019 is roughly equivalent to the average salaries for 13,200 Hungarian teachers.<sup>3</sup>

<sup>3</sup>Using OECD data. Based on an annual salary of €18,660 in 2019 for lower secondary teachers.

## HUAWEI'S WIDER CONTRIBUTION

Huawei's Hungary operations participated in upgrading the EU's emergency call system, the so-called 112, and has worked alongside providers to develop mobile networks. In 2014, the company worked alongside Vodafone to grow Hungary's 4G networks, in 2018, Huawei worked with Magyar Telecom and Vodafone to test 5G technology, and finally Hungary's first commercial 5G network launched by Vodafone was powered by Huawei.

Hungary is home to Huawei's biggest supply centre outside of China. This centre provides business-to-business ICT products to the European customers, such as 5G equipment, fixed telecom network products, data centres and storage.

# OXFORD ECONOMICS

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