



STATISTICS DIRECTORATE

A NEW PUBLICATION ON NON-FINANCIAL CORPORATIONS, INVOLVING THE USE OF MICRO AND MACRO STATISTICAL DATA

SUMMARY

2019

The Magyar Nemzeti Bank has released a new statistical publication containing detailed data not yet published about non-financial corporations.

1. The role of non-financial undertakings in the economy

Corporations are the fundamental units of modern economy, their operation fundamentally determines the opportunities and problems of a society.

The national accounts statistics distinguishes two groups of corporations: financial corporations and non-financial corporations. Financial corporations are those entities that provide financial services, thereby mediating the flow of financial resources between savers and investors. The publication describes the operation of non-financial corporations, so from this point on only these corporations will be discussed.

The sector of non-financial corporations consists of corporations that cater for the market and whose core economic activity is the production of goods and non-financial services. A market producer basically wants to make a profit, it sells its produced goods at an economically significant price that is capable of covering its costs (or at least the majority of them). The statistical classification assigns non-market producers to the government or non-profit sectors, depending on the sector of the owner.

The sector of non-financial corporations shows an extremely varied picture from several aspects, including the size, ownership structure or scope of activities of corporations. The sector includes entities ranging from micro enterprises to multinational corporations, private individual resident-owned undertakings, companies owned by the state or non-residents, operating in the field of agriculture, industry and non-financial services.

Despite the diversity of the sector, macro statistics, the statistics of national accounts provide a relatively simple picture of non-financial corporations. Sector-level aggregate data do not appear in further breakdowns that would present the characteristics of the sector in detail, because the data sources of national accounts usually do not enable the presentation of detailed data. In this publication the data of the sector of non-financial corporations are presented, by the utilization of micro-level data sources containing the accounting data of the individual corporations and by adjusting them to macro-level data, with such a level of detail that is a novelty in Hungarian statistics.

The publication presents the statistical definition of non-financial corporations and their distinction from other institutional units, presents their real economic, financial and wealth data included in the national accounts of the sector and also places these into a framework of international comparison. In the part presenting macro data it discusses the operation of public (i.e. owned by the central and local governments) corporations in a separate section. In the part dealing with micro data it presents the data sources used, the possibilities of adjusting micro-level data to macro-level statistics, furthermore, it presents the characteristics, activities of the sector in detail, broken down by size and ownership.

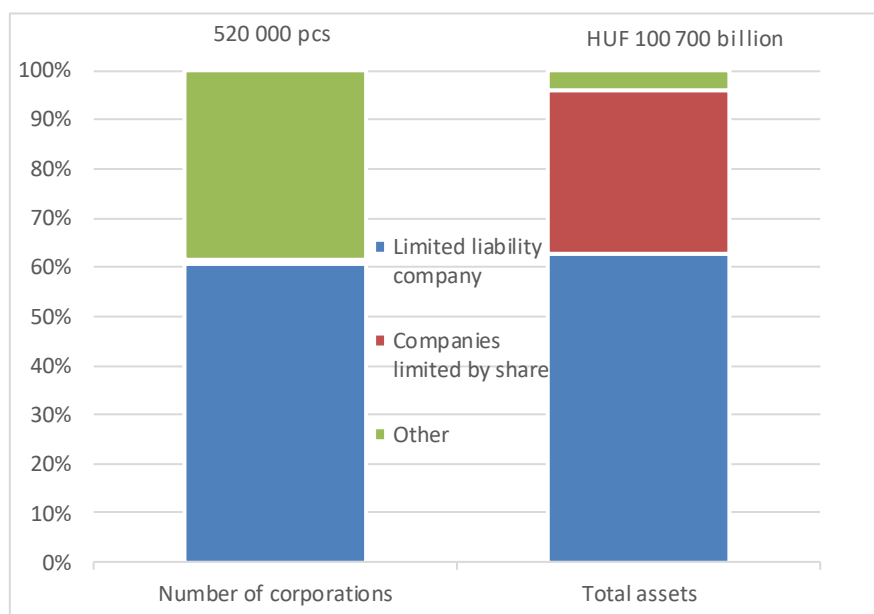
We primarily recommend this publication to those economic analysts and decision makers who deal with the operations of non-financial corporations in Hungary, but anyone may find it useful who needs a deeper insight into the activities and situation of companies than enabled by the information available so far.

In the following sections we give a taste of the contents of the publication by highlighting and presenting a few topics.

2. What entities constitute the sector of non-financial corporations in Hungary?

In Hungary approximately 520,000 entities belong to the sector of non-financial corporations (Figure 1). Classified according to legal status, of all entities considered in operation the number of companies limited by share is the lowest with 1.1 per cent, but it indicates their importance that in 2017 they covered 33 per cent of the total assets. 60 per cent of all corporations are limited liability companies that constitute 63 per cent of the total assets of the sector. In numerical terms, over one-third of all entities belong to the remaining slice, but their size as measured by total assets only constitutes 4 per cent of the entire scope of undertakings in operation. This latter group includes economic partnerships, general partnerships, condominium associations, condominiums, sites of foreign undertakings in Hungary, legal offices, cooperatives, joint ventures, court enforcement officers, sole traders, associations of forest owners.

Figure 1. Non-financial corporations by legal status, considering the number of entities and balance sheet total, at the end of 2017, percentage

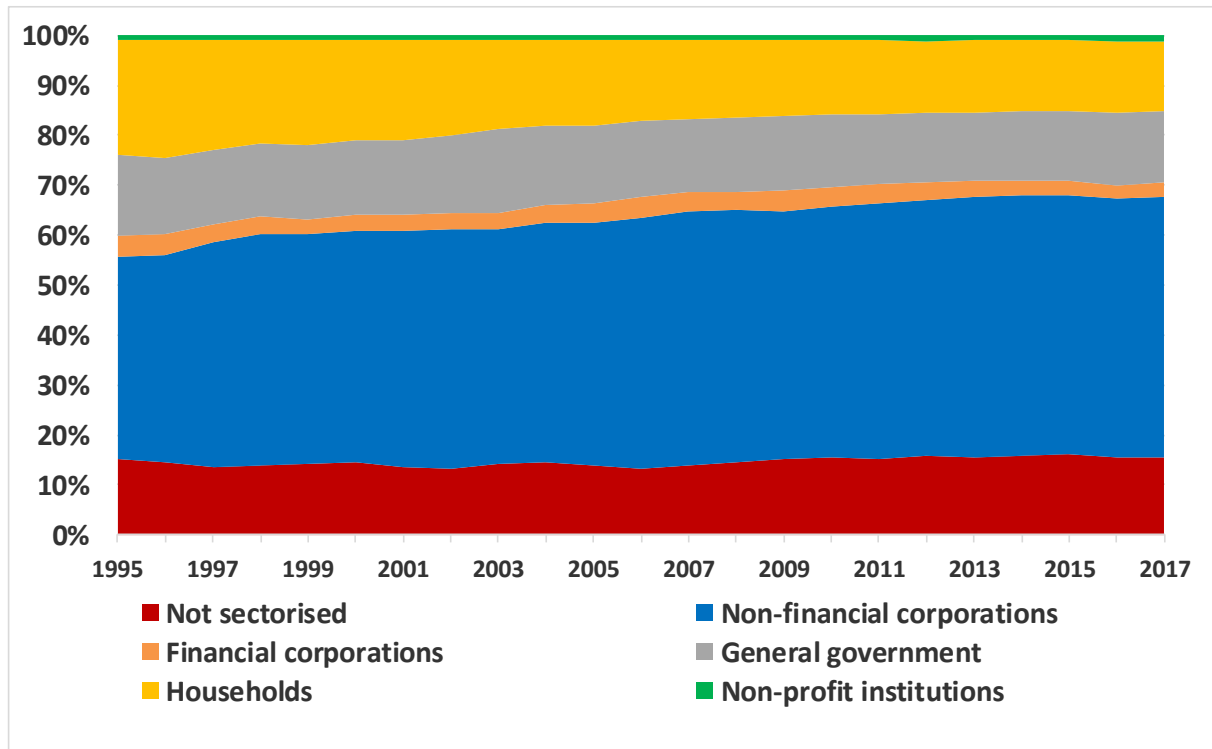


Self-employed persons (including sole proprietorships) do not constitute part of the sector of non-financial corporations, rather they belong to the sector of households, since their activity is not separated in any significant way from the activities of the households that own, operate them. It does not include banks, insurance corporations and other financial institutions, as these are part of the sector of financial corporations.

3. Operation of non-financial corporations according to macro data (national accounts)

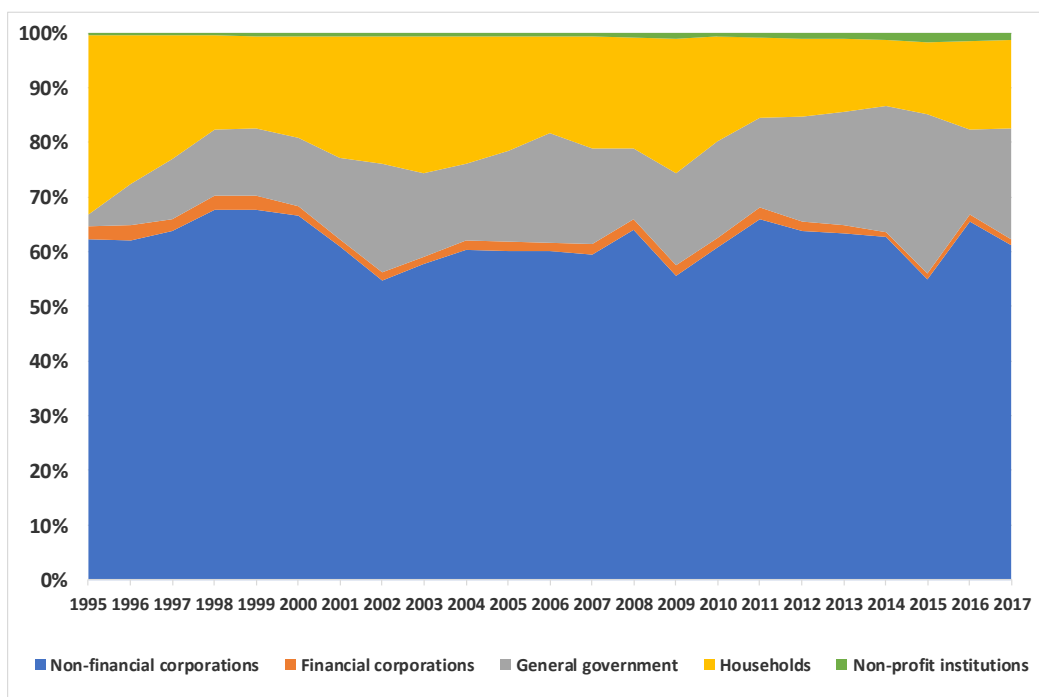
Non-financial corporations play a determining role in the process of production, a significant part of the value added constituting the gross domestic product (GDP) is generated in this sector (Figure 2).

Figure 2. Distribution of gross value added among sectors, percentage



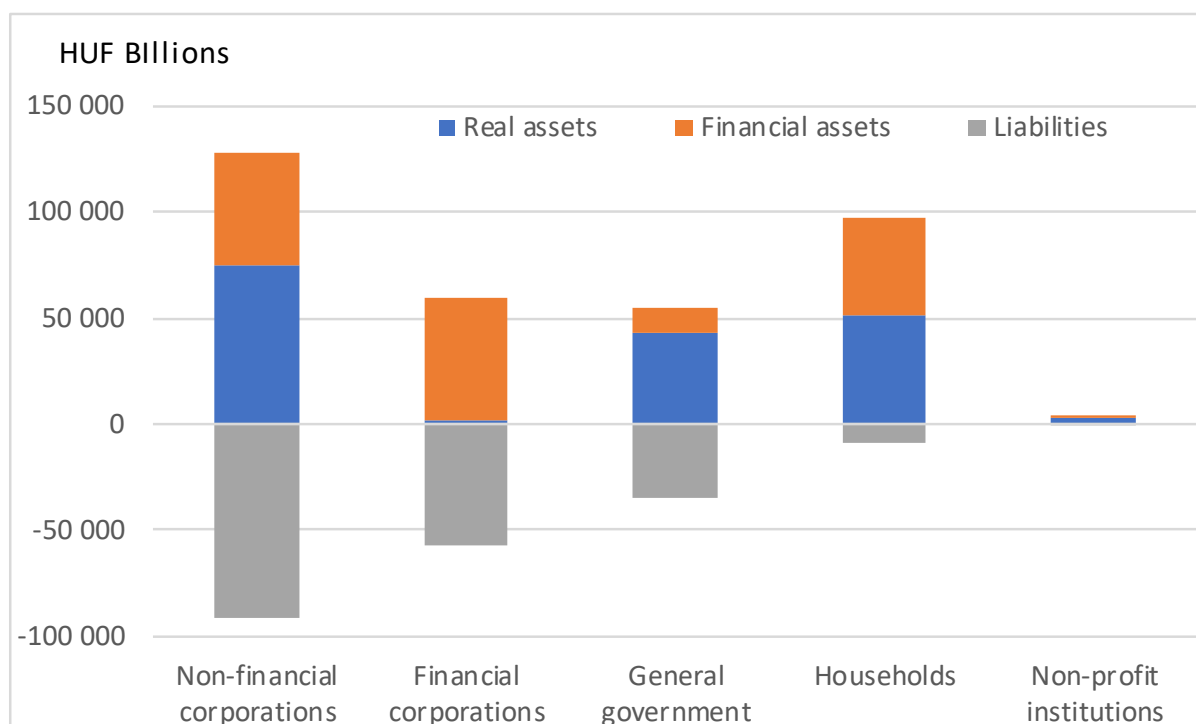
Considering the real economic activities, apart from production, non-financial corporations play a decisive role in investments as well (Figure 3).

Figure 3. Distribution of acquisition of non-financial assets among sectors, percentage



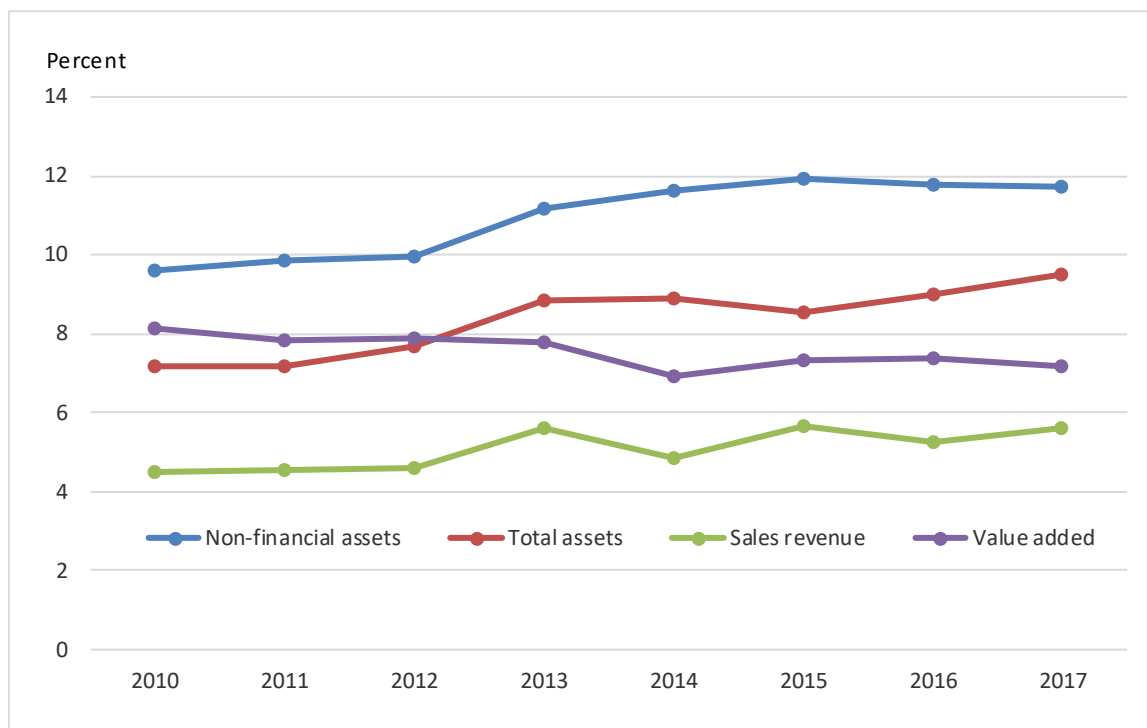
Considering the assets and liabilities of the sectors, we can see that of all sectors non-financial corporations hold the most assets and liabilities (Figure 4).

Figure 4. Non-consolidated assets and liabilities of main domestic sectors at year-end 2016, HUF billions



MNB publish the financial accounts of public corporations (central and local government owned corporations) as well as the macrodata, which are compiled from the microdata of these companies. Public corporations employ a decreasing ratio of the entire community of employees of the non-financial corporations sector, some 8 per cent (190 thousand persons). This sub-sector realized a portion of the revenues of the entire sector that grew from 4.5 to 5.6 per cent between 2010 and 2017, and it also held an increasing share of the assets of the sector (7.2 to 9.5 per cent based on the balance sheet total). Public non-financial corporations may have contributed to the gross value added of the sector by about 8 per cent in the period under examination (Figure 5). Considering the entirety of non-financial corporations, the after tax earnings increased from 4.7 per cent of the shareholder's equity to 9.6 per cent thereof during eight years, within that, they constituted 1 to 3 per cent of the shareholder's equity in public companies.

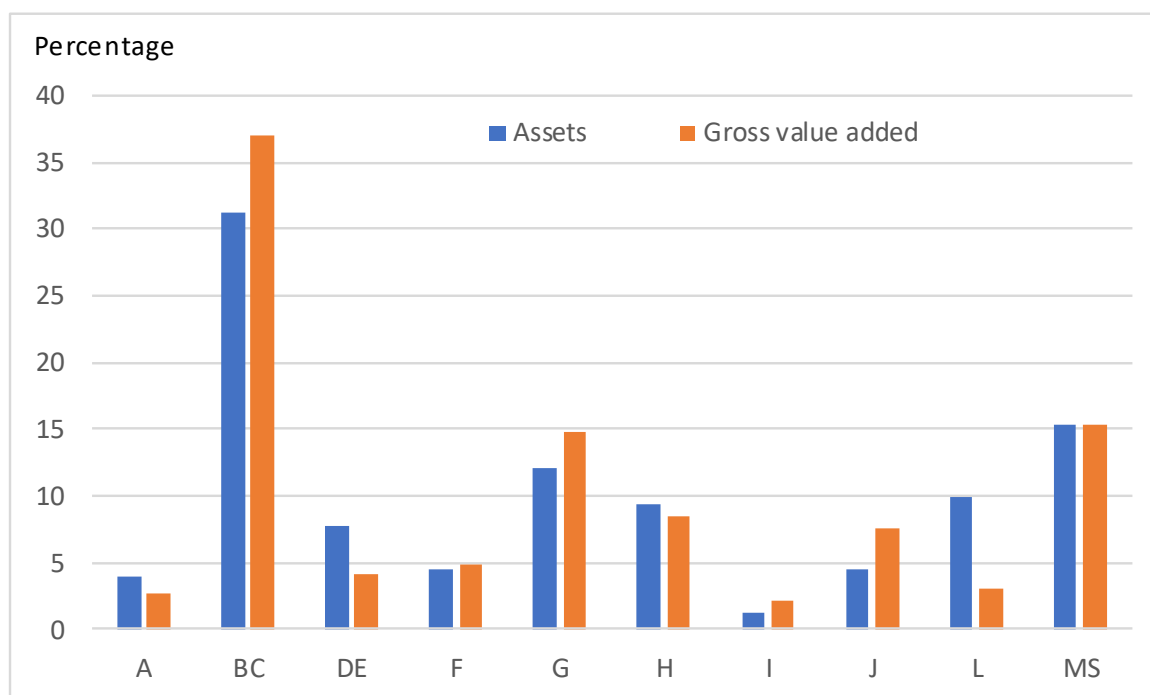
Figure 5. Share of public corporations in the non-financial corporations sector regarding selected indicators, percentage



4. Presentation of the sector based on the micro data

Relying on the available company-level information (balance sheet and income statement, registry data) it becomes possible to further break down the data of non-financial corporations according to various characteristics (such as activity, size, owner).

Figure 6. Distribution of total assets and gross value added of non-financial corporations by industry, 2017, percentage



Code:	A	BC	DE	F	G	H	I	J	L	MS
Short name:	Agriculture	Manufacturing	Energy	Construction	Trade	Transportation	Accommodation	Information	Real estate	Other

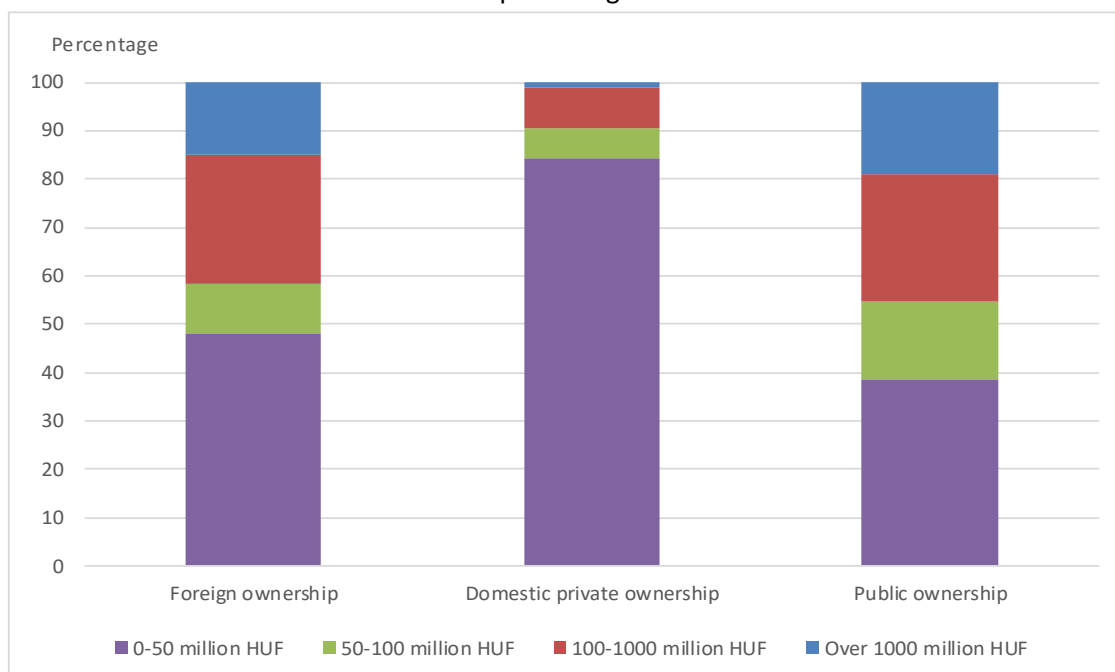
Figure 6 shows the distribution of the data of the assets matched to national accounts and the distribution of value added according to activities (branches) in the sector of non-financial corporations. It can be seen that within the sector, the share within assets and within value added usually closely correlate in a breakdown according to activity, at the same time, in some of the branches there are significant differences between the two shares.

Table 1. Main characteristics of non-financial corporations by company size, 2017

Corporate features	Balance sheet total assets categories, million HUF				
	0-50 million HUF	51-100 million HUF	101-1000 million HUF	Over 1000 million HUF	Total
Total assets, billion HUF	4 484	2 408	14 384	79 487	100 763
Sales revenue, billion HUF	6 731	3 366	15 888	68 451	94 436
Employees, thousand persons	485	144	549	1 134	2 312
Profit after tax, billion HUF	420	192	1 074	3 366	5 052
Dividend to be paid, billion HUF	288	71	439	1 830	2 628
Number of corporations	428 040	33 827	48 294	9 806	519 967

Table 1 presents the sector of non-financial corporations broken down to four categories according to the amount of balance sheet total assets. Companies with assets exceeding the value of HUF 1 billion constitute a mere 2 per cent of all companies belonging to the sector, however, they hold almost 79 per cent of the total assets and generate 72 per cent of sales. Companies with a balance sheet total of over HUF 100 million (11 per cent of all companies) together cover a good 93 per cent of the assets and almost 90 per cent of the sales of the sector. At the same time, only 73 per cent of the employees belong to this circle of companies. If we want to assess the financial position, ownership conditions and economic performance of non-financial corporations in detail, it is essential to be aware of the data of companies with a smaller balance sheet total as well.

Figure 7. Distribution of corporations by size categories (total assets) in different ownership categories, percentage



While 84 per cent of companies owned by households, i.e. some 416 thousand companies had balance sheet totals that did not reach HUF 50 million, and the ratio of companies having a balance sheet total of

over HUF 1 billion only slightly exceeded one per cent, in the case of community and non-resident owned companies the ratio of this latter was 15 and 20 per cent respectively, and less than half of these companies had a balance sheet total assets less than HUF 50 million (Figure 7).

Table 2. Gross value added, total assets, wages and salaries and number of employees relative to sales revenue, 2017

Main features of corporations according to ownership	All non-financial corporations	Foreign ownership	Public ownership	Domestic private ownership
Value added/net sales revenue (%)	24,9	25,9	27,1	23,3
Total assets/net sales revenue (%)	106,7	104,5	180,7	99,6
Wages and salaries/net sales revenue (%)	10,8	9,6	18,9	11,3
Number of employees/net sales revenue (billion HUF per capita)	24,6	14,4	35,5	36,0

Based on the breakdown of profitability indicators according to owner (Table 2) it can be established that in the case of the size of value added compared to sales there is no significant variation, therefore in this regard public companies have similar profitability as those in the private sector. However, it must also be noted that the statistical approach picks out loss-producing public companies from the business sector from the start, and classifies them to government sector, therefore public companies that stay in the non-financial corporation sector are not different from the entire sector in that regard. However, there is a significant difference if we project the assets on sales, since the ratio of non-financial assets within assets of public companies is outstandingly high, owing to the nature of the activity and the state-owned assets taken over. Resident-owned corporations generate one unit of sales revenue with over twice as many employees as do non-resident owned corporations, however, this is reflected in wages and salaries only in the case of public corporations.