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STATE OF BUSINESS SERVICES HUNGARY
2025

Report prepared by the **Association of Business Service Leaders in Hungary (ABSL)** in cooperation with **Deloitte Hungary**

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INTRODUCTION

OVER THE PAST TWO DECADES, Hungary has established itself as one of the leading destinations for Business Service Centres (BSCs) in Central Europe. Multinational companies were initially drawn by the country's multilingual talent base, central geographic position, and relatively low operating costs. These advantages enabled the **creation of large multifunctional service hubs** that continue to play a vital role in regional and global service delivery.

Today, however, **the sector finds itself at a crossroads.** Rising wage pressures, persistent talent shortages, regulatory challenges, and the accelerating pace of technological change are reshaping operating models**. BSC leaders are under increasing pressure to deliver higher value while maintaining efficiency and competitiveness.** In this environment, **Hungary's future success will depend not only on sustaining its traditional advantages but also on adapting rapidly to new demands in digitalization and automation.**

This report builds upon an existing overview of the Hungarian BSC sector by **incorporating first-hand insights from interviews with industry leaders**. Their perspectives provide a deeper, evidence-based understanding of how the sector is evolving – highlighting both its strengths and its vulnerabilities. What emerges is a clear narrative: **Hungarian centres are no longer primarily transactional back-office providers but are steadily transforming into digital innovation hubs embedded within global corporate strategies.**

The findings presented here are intended to inform policymakers, investors, and practitioners alike. They illustrate not only the achievements of the past two decades but also the strategic decisions required to ensure that Hungary remains a competitive and forward-looking hub for business services in the years ahead.

JUDIT FORGÁCS

Board Member of ABSL Hungary

Having been privileged to lead the establishment of the first multilingual CEE HR service centre in Hungary as well as being a member of ABSL Board for the last 10 years,
I have firsthand experience of the development of the Business Service Centre (BSC) sector in Hungary. I see the findings of this survey critically important for the future of the sector in Hungary among the CEE and global competition. While the survey results show how strong and developed the sector has become, it also shows the need for strong government support enabling the Hungarian BSC sector to remain competitive among its contenders, both in its service portfolio and its career offerings and to promote Hungary as a preferred destination."

ESZTER LUKÁCS

BSC Advisory Director, Deloitte

Having had the opportunity to work with several Business Service Centres BSCs in Hungary over the past 20 years, I have developed a strong perspective on the sector's evolution and future potential. Hungary's business services industry has built a solid foundation based on multilingual talent, cost efficiency, and operational excellence. The next chapter, in my view, is about moving further up the value chain—toward knowledge-intensive, technology-enabled services such as automation, analytics, and digital transformation. While challenges around talent retention and skill development persist, Hungary's adaptability, combined with its continued focus on education and innovation, positions it well. The country is evolving from a regional delivery hub into a true European centre of strategic, digital, and high-value business capabilities."

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METHODOLOGY AND DATA SOURCES

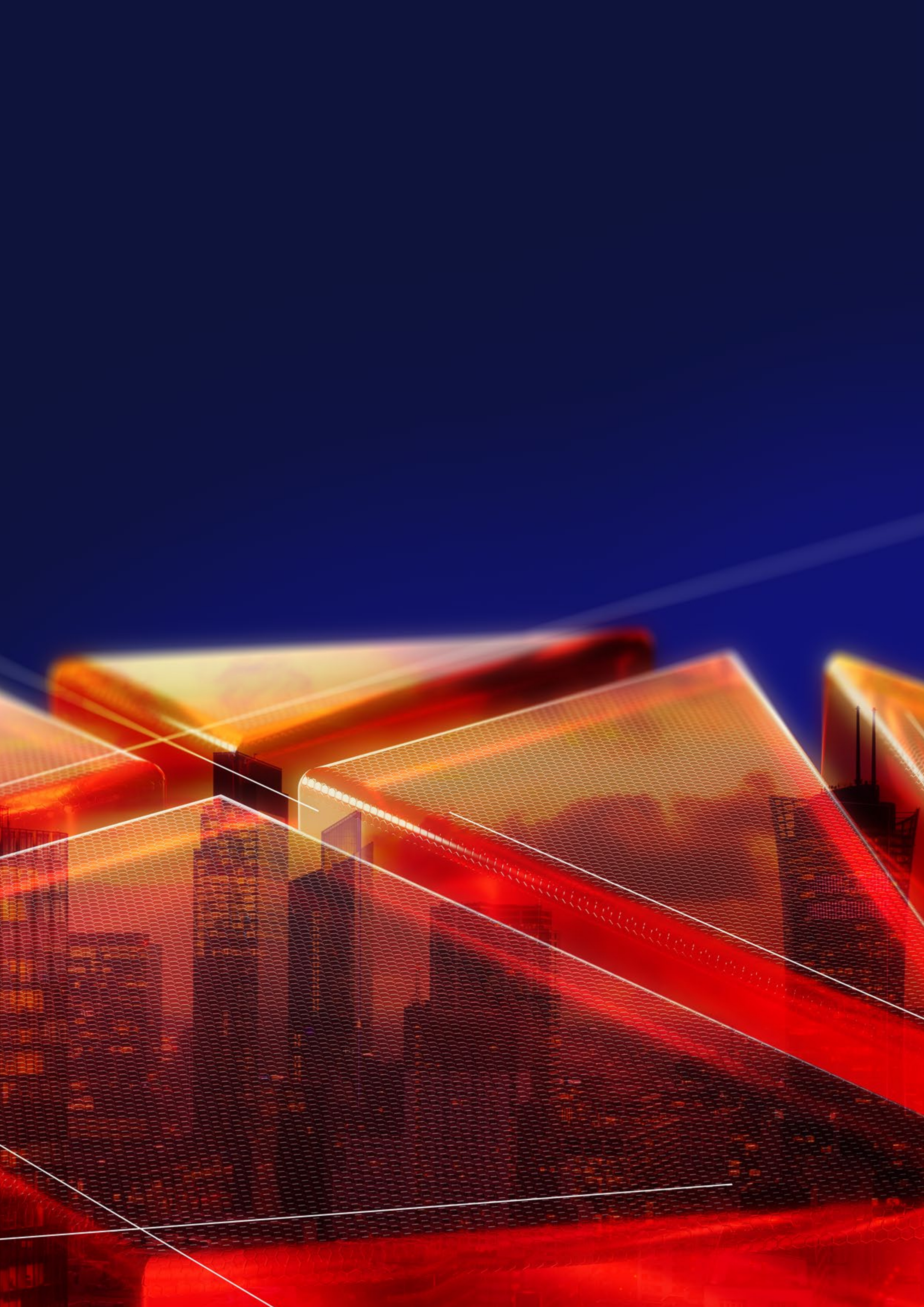
THIS ASSESSMENT has been developed through a **joint effort between Deloitte and ABSL Hungary,** with the aim of providing a balanced and reliable overview of the Hungarian Global Business Services sector within both local and international context. The methodological approach combined primary qualitative research with secondary global benchmarking, ensuring that the findings reflect not only the lived experiences of BSC leaders in Hungary but also the broader trends shaping the industry worldwide.

At the core of the **primary research were a series of structured, anonymized interviews conducted individually with senior leaders of business services operating in Hungary.** These conversations created a forum for candid dialogue, allowing executives to share their perspectives on the current state of the sector, its economic and social impact, the challenges that organisations face, and the opportunities they perceive for the future. Participants spoke openly about the external forces influencing the business environment, from talent availability and regulatory developments to technological disruption and evolving client expectations. This process ensured that the voices of practitioners, who are directly responsible for shaping and leading the sector in Hungary, formed the cornerstone of the analysis.

To complement these local insights, Deloitte integrated **findings from its most recent Global Shared Services Survey 2025.** This survey is widely recognized as one of the most comprehensive global studies on the state of shared services organisations, capturing data across locations in ~50 countries and multiple industries.
By leveraging the 2025 Global Business Services (GBS) Survey, this assessment can position the Hungarian BSC sector within a broader international framework, identifying where local developments align with or diverge from global patterns. This comparative dimension is essential for understanding Hungary's role and competitiveness in the rapidly evolving BSC landscape.

The combination of qualitative, interview-based insights and global benchmarking data provides a unique perspective that is both grounded in the realities of the Hungarian market and informed by international best practice. Together, these sources allow for a comprehensive assessment that highlights the strengths of the sector, the risks it must address, and the pathways through which it can continue to grow and add value to the Hungarian economy.

In this way, the assessment aspires to serve as a snapshot of the sector's current standing as well as a practical guide for business leaders, policymakers, and stakeholders seeking to support the continued development of the BSC sector in Hungary.



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EXECUTIVE SUMMARY

THE HUNGARIAN BUSINESS SERVICES SECTOR has evolved into **one of Europe's most mature and strategically significant service delivery landscapes.** The sector now counts over **215 centres** and **110,800 employees,** contributing approximately **3% of GDP.**[1] **Three-quarters of these centres are captive operations of multinational firms,** while a quarter are outsourced service providers, reflecting Hungary's strong role in **corporate in-house delivery networks.**

Originally built on cost arbitrage and transactional support functions in the late 1990s, it has since **undergone a profound transformation.** Today, Hungarian centres deliver complex, multifunctional, and innovation-driven services that are integral to global operations, including advanced analytics, automation, AI, cybersecurity, ESG, and cloud-based solutions.

Importantly, the business services sector is a **significant employer, taxpayer, and commercial lease renter,** making it one of the largest contributors to **government revenues and the broader administrative ecosystem.** Employment in the sector has grown markedly; from approximately **70,000 employees in 2021 to over 110,000 in 2024;** illustrating its dynamic expansion and economic resilience. The sector also offers a **notable wage premium** compared to the national average, thereby **enhancing living standards** and stimulating household consumption and local economic activity.

Beyond its direct economic impact, the sector plays a **pivotal role in talent development.** Through continuous learning, cross-functional career mobility, and extensive **knowledge transfer** between global and local teams, business services centres have become a key driver of **skills upgrading and workforce modernization** in Hungary. This ecosystem fosters innovation, digital fluency, and professional excellence that extend well beyond the sector itself.

Hungary's competitiveness is anchored in its central geographic location, strong multilingual talent pool, and increasing depth in digital and technical capabilities. **The sector now acts not only as a cost-efficient delivery base but also as a strategic innovation hub embedded into corporate transformation agendas. Its contribution to the economy is substantial: business services centres are a major source of job creation, upskilling, and talent retention, with spillover benefits**

[1] Hungarian Investment Promotion Agency (HIPA) – Business Services Hungary 2024

across supplier networks, professional services, and academia.

Survey findings underscore that Hungary's future role will depend on its ability to sustain this momentum. On the opportunity side, BSC leaders view Hungary as a long-term strategic hub well-positioned to lead in digital innovation, provided policy support, educational alignment, and sector visibility are strengthened. On the challenge side, leaders cite talent shortages, immigration bottlenecks, wage inflation, regulatory unpredictability, and geopolitical volatility as key risks. Rising wages and narrowing cost competitiveness highlight the urgent need to double down on digital transformation and productivity gains.

For Hungary to sustain its strategic position, policy frameworks around talent mobility, regulatory predictability, and branding must adapt to the realities of a knowledge-intensive, innovation- driven sector that adds growing value to both the **national economy and human capital development.**

Key outcomes:

Economic and employment impact:
Hungary's BSC sector has become a cornerstone of job creation and skills development, but sustaining its economic impact will require balancing rising wages with productivity and digital transformation.

Trends and opportunities:
the sector is rapidly evolving into a multifunctional, innovation-driven hub, providing AI and digital services significantly contributing to Hungary's future competitiveness.

Challenges:
Hungary's Business Services sector is facing structural challenges. Talent shortages, mobility limits, and policy gaps are constraining competitiveness, while digital transformation demands and economic volatility are testing the sector's adaptability.

External forces shaping the sector:
unstable taxation, shifting trade policies and a highly unpredictable and restrictive immigration framework for non-EU white-collar professionals are eroding predictability, highlighting the urgency for Hungary to strengthen its policy environment to remain a top-tier shared services destination.

Forecast and recommendations:
with its strong talent base and digital ambitions, Hungary is poised for growth if it invests in transformation, partnerships, and policy alignment to become a leading European BSC hub.

Support required for the BSC sector:
transparency in immigration processes, education reform, stronger branding, and public–private collaboration are critical to unlocking Hungary's full business services potential.

ISTVÁN LENK

President of ABSL Hungary

Europe's business services industry has evolved into a strategic growth engine, going beyond its traditional role as a support function. Amid global headwinds that are rapidly reshaping technology, talent, and business flows, knowledge-intensive business services (KIBS) have emerged as the defining trend in the modern business landscape.

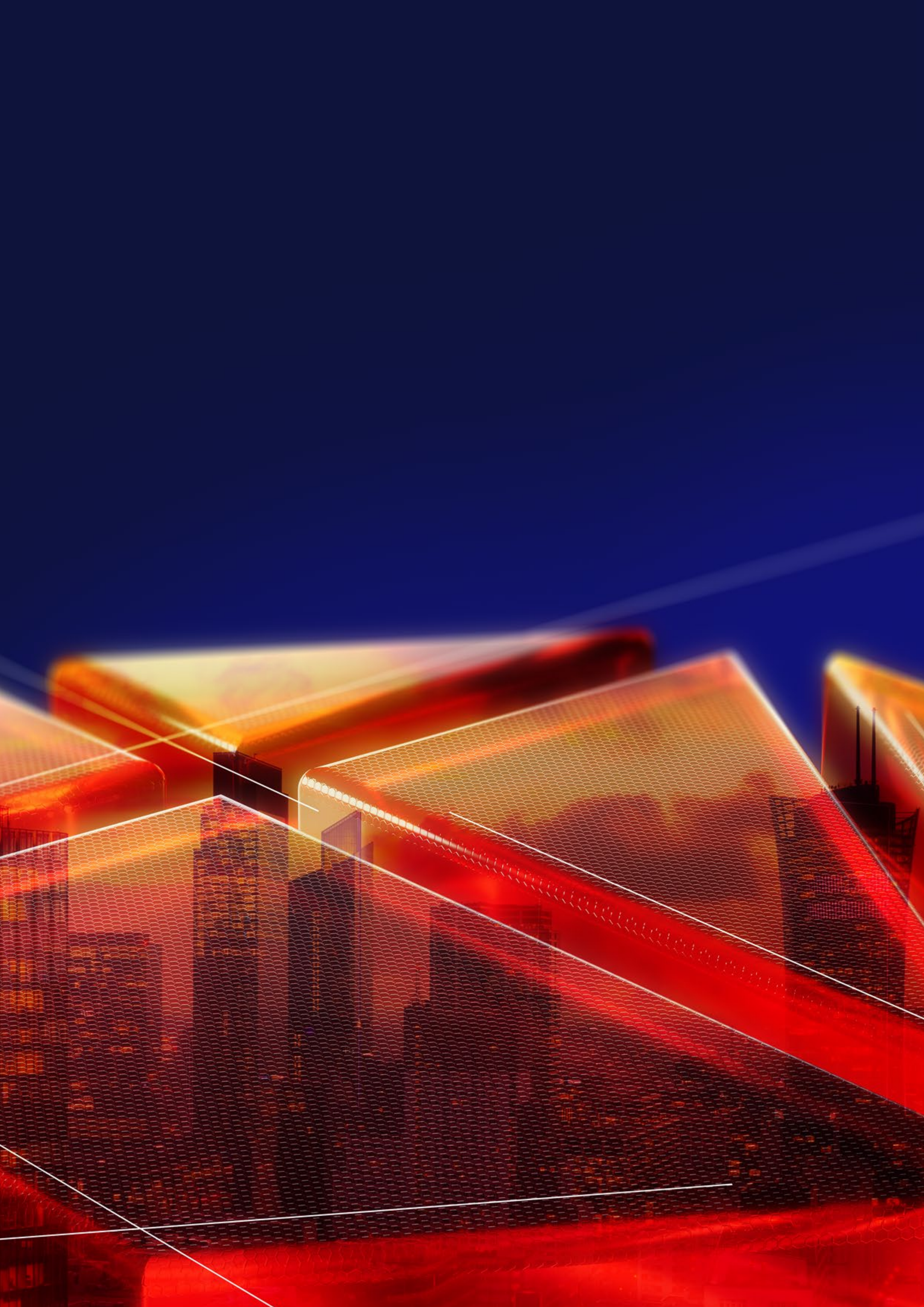
The sector now serves as a critical enabler of transformation. It responds swiftly to changes in supply chains, technological disruption, and shifting market dynamics by adopting advanced technologies, evolving its talent base, and aligning with business expectations for efficiency and productivity.

The business services industry is undergoing a strategic shift-from a focus on cost efficiency and labor arbitrage to the development of a skill-based ecosystem. This new paradigm, referred to as Generative Business Services (GenBS), integrates human expertise with artificial intelligence to deliver higher levels of value creation, innovation, and business transformation.

Talent management is at the core of this evolution. Continuous reskilling and upskilling are essential to meet the demands of emerging high-value add roles, while talent mobility across industries and geographies acts as a key enabler of growth and adaptability.

Hungary's business services industry exemplifies this transformation. The sector continues to grow and expand toward higher value-added activities, employing a highly educated and skilled workforce with strong long-term engagement in the country. The emergence of AI, data, and expertise hubs in Hungary demonstrates the depth of local capabilities and the strength of its diverse talent base and supportive environment.

Looking ahead, proactive policy alignment, strategic investment, and robust collaboration between business and policymakers will be essential. These factors can position Hungary to fully leverage its potential and play a pivotal role within Europe's business services ecosystem-serving as a strategic hub for sectoral transformation, competitiveness, value creation, and resilience.



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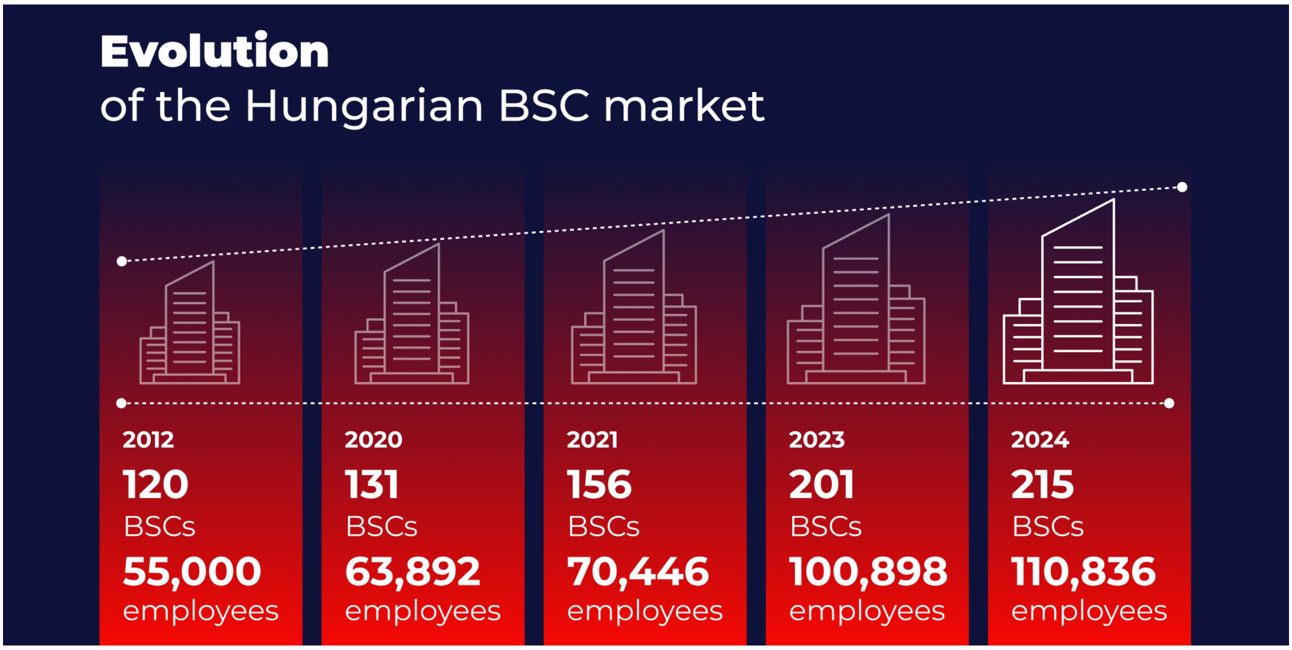
SECTOR OVERVIEW

***HUNGARY'S BUSINESS SERVICES SECTOR* has evolved into a strategic global hub driven by digital skills, innovation, and multifunctional expertise rather than cost savings. With strong location advantages, language skills, and a talented workforce, it's advancing into areas like AI, analytics, cybersecurity, and ESG. Despite challenges around talent, regulation, and costs, Hungary's business services now deliver high-value expertise that shapes global operations.**

The business services sector in Hungary has expanded rapidly over the past decade, **becoming one of the largest non-manufacturing employers in the country.** As of 2024, the industry comprised more than 215 companies and employed over 110,800 professionals, reflecting strong and sustained growth from around 70,000 employees in 2021.[2] This remarkable increase demonstrates the sector's ability to absorb a large pool of multilingual and skilled labour, while also confirming its role as a cornerstone of Hungary's modern services economy.



Source: Hungarian Investment Promotion Agency – Business Services Hungary 2024

[2] Hungarian Investment Promotion Agency (HIPA) – Business Services Hungary 2024

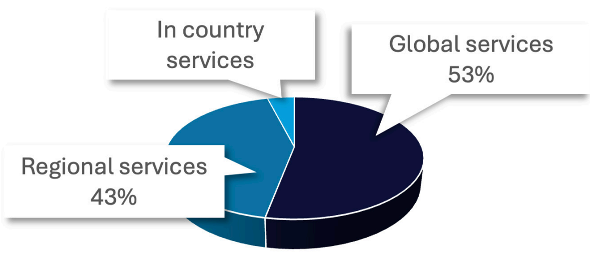
Beyond employment, the sector has clear macroeconomic importance, **contributing roughly 3% to Hungary's GDP.** (Important to note that its added value is difficult to measure, as it is not statistically distinguished from the primary industry.) This makes it far more than a niche industry, underlining its relevance to national economic performance. The high number of companies and steady pipeline of new projects reflect ongoing investor confidence, as global firms continue to view Hungary as a sustainable and competitive location for service delivery. **Budapest remains the dominant location**, hosting roughly 85% of all centres. However, **regional cities such as Debrecen, Szeged, Miskolc, Pécs, and Székesfehérvár** have strengthened their positions, together accounting for around **15% of total sector employment**. This gradual decentralisation indicates an important diversification of the industry's geographic footprint across the country.

Major BSC locations (employees FTE in BSCs)

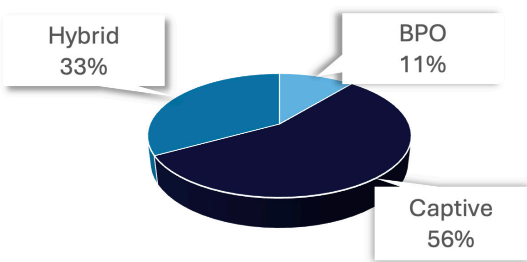
Source: *Hungarian Investment Promotion Agency (HIPA) – Business Services Hungary 2024*

Functionally, the sector is becoming increasingly sophisticated. More than **60% of Hungarian BSCs operate as multifunctional hubs**, delivering a mix of finance, IT, HR, customer support, procurement, and analytics services. The **geographic coverage** of these centres is also expanding - **53% deliver global services**, **43% serve regional markets**, and only **a small share provide in-country services**, underscoring the strong international orientation of Hungary's BSC sector.

Geographic coverage options



Outsourcing model options



Source: *Hungarian Investment Promotion Agency – Business Services Hungary 2024*

In terms of operating model, the industry remains dominated by **captive centres (56%)**, serving their parent organisations, but there is a notable **presence of hybrid models (33%)** and a smaller **share of traditional BPO setups (11%)**. This mix reflects a maturing market, where companies increasingly blend internal and outsourced delivery to balance control, scalability, and cost efficiency.

Another defining feature is the **wage premium** enjoyed by employees in the sector which combined with the resilience and continuous growth, underscores the importance of BSCs not only for corporate investors but also for Hungary's broader socioeconomic development.

3.1 Maturity of the Hungarian BSC Landscape

The business services sector in Hungary is widely regarded by industry leaders as a **mature and strategically significant industry segment.** Early entrants established captive centres during the late 1990s and early 2000s, primarily to exploit Hungary's relatively low labour costs and advantageous geographic position. These centres **initially concentrated on transactional back-office processes** such as payroll, accounts payable, and basic HR administration.
Over time, however, **their role has expanded dramatically**. Today, **Hungary is home a diverse portfolio of multifunctional centres supporting both regional and global mandates across industries.**

Interviewees underscored this ongoing **evolution from labour-arbitrage models to innovation-driven hubs.**
While the **first phase of growth was quantitative – focused on scaling headcount to achieve efficiency gains – recent years have brought a qualitative transformation**. Organisations are no longer content to operate Hungarian centres as solely support units; instead, these **centres are increasingly embedded into corporate transformation strategies.**

The scope of services now delivered from Hungary extends far beyond finance and HR. Centres routinely manage technology development, procurement, supply chain support, ESG compliance, and complex analytics. Some respondents noted the emergence of integrated European delivery networks, where Hungary plays a central role as strategic nearshore site. **This maturity positions Hungary not merely as a low-cost option but as a core node in global BSC ecosystems.**

3.2 Strategic Location and Balent Base

Hungary's geographic and human capital advantages remain foundational to its competitiveness. The country's central location within Europe ensures time-zone alignment with Western European headquarters while also allowing coverage of Eastern European operations.

The multilingual talent pool is another core strength. In addition to English and German, Hungarian centres can cover a wide range of European languages, including Nordic and Eastern European languages. This makes the country a strong choice for companies that want to centralise services but still operate in local languages.

What is changing, however, is the basis of Hungary's competitiveness. **Cost remains a factor, but executives say the real differentiator today is the availability of skilled professionals in digital, IT, automation, and analytics.** Several companies include Hungary in their long-term global delivery strategies precisely as it combines language skills with growing technical expertise.

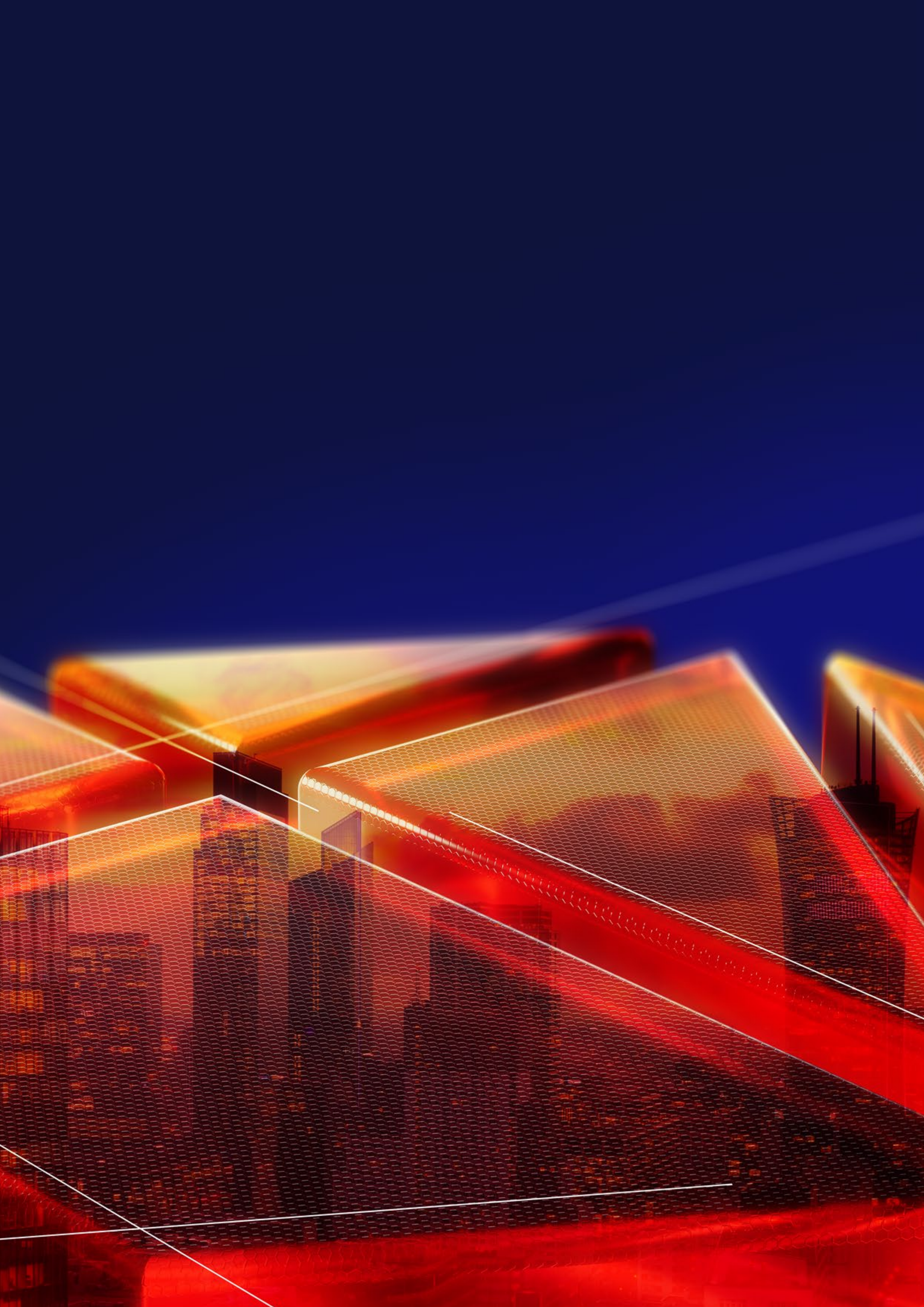
3.3 Evolution to High-Value Added Services

A major change in Hungary's business services sector is the move into higher value-added services. **Centres that once focused on routine payroll or invoice processing** now run innovation labs, automation hubs, and AI-driven tools that support entire global organisations.

This shift is reinforced by the rise of multifunctional centres**, where HR, finance, IT, procurement, and automation are managed together. By integrating functions, these centres provide** more strategic value and position of Hungary not just as a service provider but as a partner in digital transformation and performance enhancement.

Examples from respondents show this evolution in practice: one multinational built a technology lab in Budapest for cloud and cybersecurity innovation, while another rolled out AI-powered assistants across its enterprise from Hungary. These cases reflect a wider trend**; centres are becoming smaller in size but higher in value, relying on digital tools and specialised talent.**

The workforce is also changing. Demand is increasing for data scientists, AI engineers, and cybersecurity specialists, while routine transactional roles are either automated or moved to lower-cost countries. This shift creates a more knowledge-driven employment profile **and offers clear career growth paths, helping Hungary remain attractive as a BSC location.**



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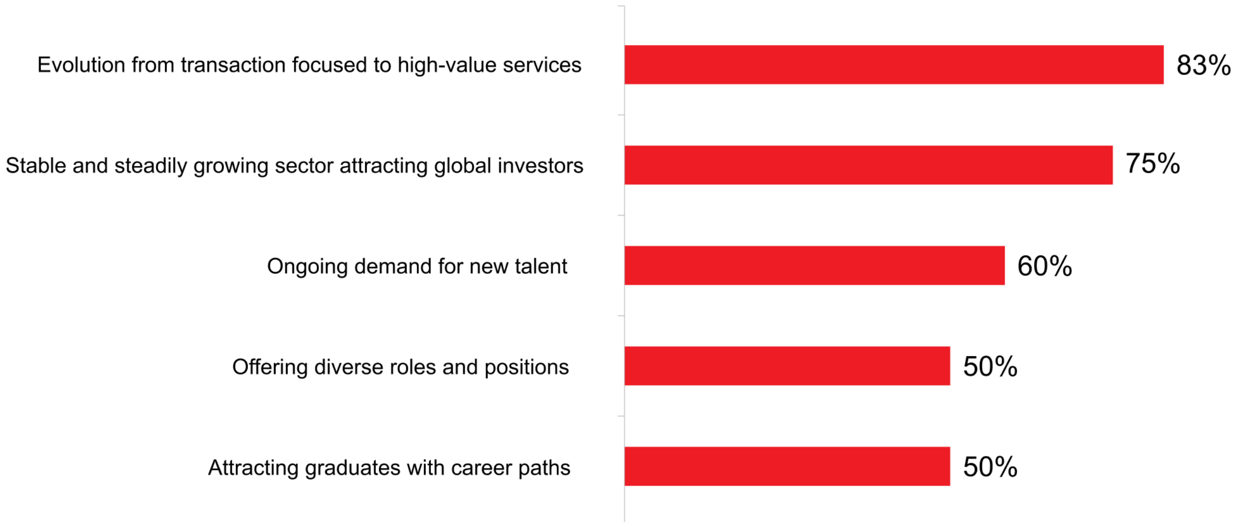
ECONOMIC AND EMPLOYMENT IMPACT

***HUNGARY'S BSC SECTOR** has become a structural pillar of job creation and economic transformation, offering increasingly sophisticated, future-oriented roles. Acting as talent incubators, these organisations enhance employability, foster leadership, and embed knowledge in the local economy. To sustain competitiveness amid rising wages and talent pressures, greater government recognition, digital investment, and stronger collaboration with universities and the public sector are essential.*

4.1 Contribution to Job Creation and Labour Market Growth

Hungarian BSC sector's contribution to job creation and labour market growth (Top 5)



Note: The chart total surpasses 100% as the study reflects multiple responses from interviewees.

The survey findings confirm the **sector's** significant and evolving **role in driving job creation and shaping the local labour market.** The business services sector makes a major contribution to Hungary's labour market, underscoring its importance as a stable employer. Service centres provide a wide range of multilingual and multifunctional roles that require a combination of technical expertise and soft skills. This diversity enriches the labour market by offering versatile employment options across different competencies.

The majority of the BSC leaders asked confirm that **Hungarian BSCs have evolved beyond their initial focus on transactional, single- or few-function support**. They now deliver **high value-adding services featuring senior, specialized and in some cases global roles.** This evolution strengthens Hungary's position as an attractive and strategic node within the global BSC network.

BSC leaders observe steady and continuous growth in their centres, which directly translates into ongoing job creation. This signals the robust sector health and ongoing opportunities for new employment. Furthermore, expansion into high-end roles and clear career paths as key factors attracting graduates to the sector. These factors contribute to the sector's appeal as a promising career destination for young professionals.

It is also worth mentioning that besides direct employment, service centres generate indirect jobs through supplier networks, IT services, professional training, and the hospitality sector.

Given its significant economic contribution, the BSC sector has strong potential to achieve greater recognition at the governmental level, ensuring its value is more fully reflected in future policy priorities. This suggests an advocacy opportunity to elevate business services visibility in national economic and labour market strategies.

> **"GBS plays a significant role in generating skilled jobs in Hungary. The Sanofi Budapest Hub has more than doubled its workforce in just one year and has significantly expanded its range of services to include non-typical and high-value-added positions. This demonstrates the Business Services sector's strong contribution to local employment."**

Ahmed Ismail
Head of Sanofi Europe GBS Hubs

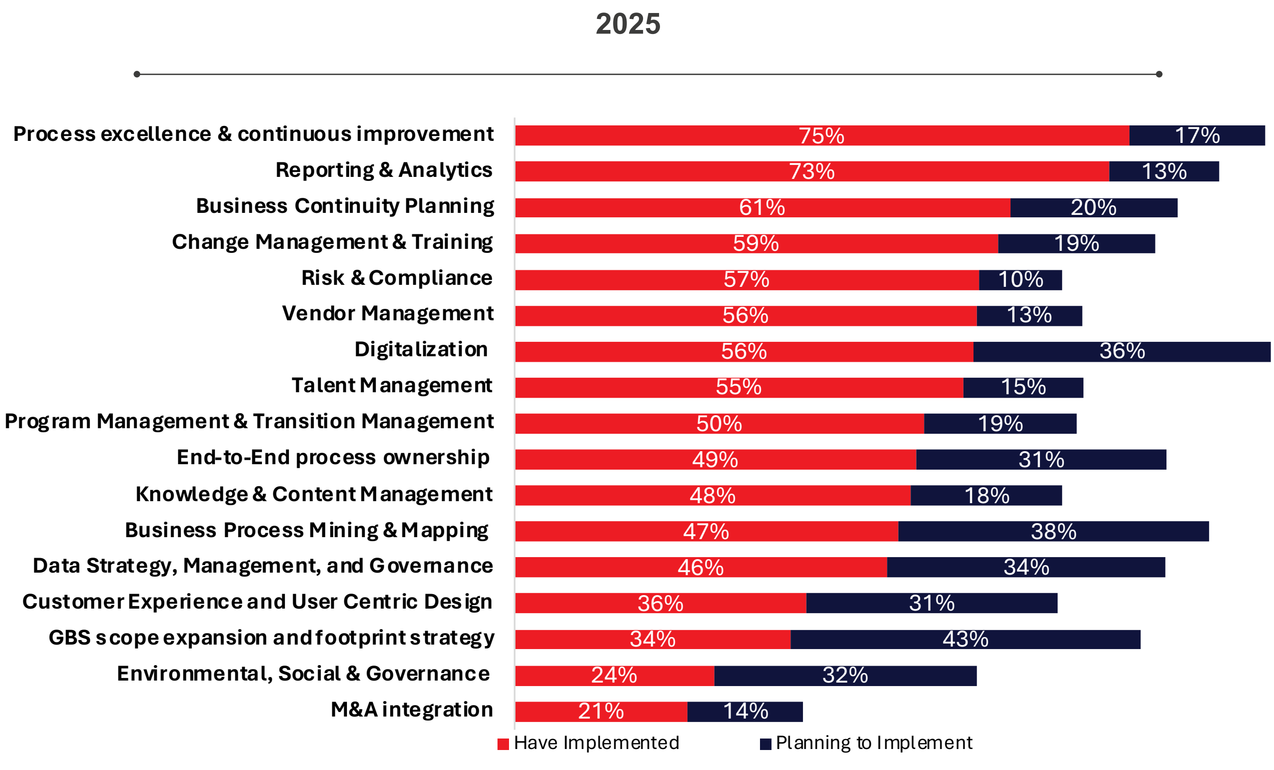
4.2
Workforce Development and Local Economic Value

The survey findings confirm that BSCs in Hungary are critical enablers of talent growth, combining targeted upskilling initiatives with broader contributions to the national labour market. BSC leaders highlight the **sector's direct contribution to the local economy through employment, skills, and attraction of global operations, amplifying the economic value chain.**

All respondents unanimously claimed that **business services fosters upskilling and dynamic career progression, helping employees remain competitive in the evolving job market.** Additionally, some report that they embedded global leadership roles, end-to-end process ownership, and operational competencies, reflecting sectoral maturity.

Looking into Deloitte's 2025 GBS survey, we can observe globally rising demand in specialised roles and high-end capabilities in business services centres:

Key capabilities developed in BSC organisations



Source: 2025 Deloitte's Global Business Services (GBS) Survey

Hungarian shared services are undergoing talent transformation, investing in AI, cross-functional skills, and strong talent pools aligned with evolving industry needs. This reflects a **shift from traditional service delivery to innovation-driven talent ecosystems** and positions Hungary's BSC talent as future-ready.

Business Services organisations **enhance long-term career opportunities,** positioning the BSC sector as a sustainable employer. Moreover, they focus often explicitly on **talent retention to ensure skills and knowledge remain in the Hungarian economy**. Complementary measures include competitive compensation and collaboration with universities to build sustainable talent pipelines. While Public-Private Partnership collaborations exist, these remain under-leveraged and represent an opportunity to strengthen the country's long-term talent resilience. If more fully developed, such partnerships could amplify BSC's already strong role in enhancing employability, fostering leadership, and embedding knowledge in the local economy.

In addition to employment and skills development, BSCs contribute directly to Hungary's economic development through the payment of corporate and employee taxes, leasing and maintaining office spaces, and contracting a wide range of local suppliers and service providers. These activities further strengthen local business ecosystems and support regional growth.

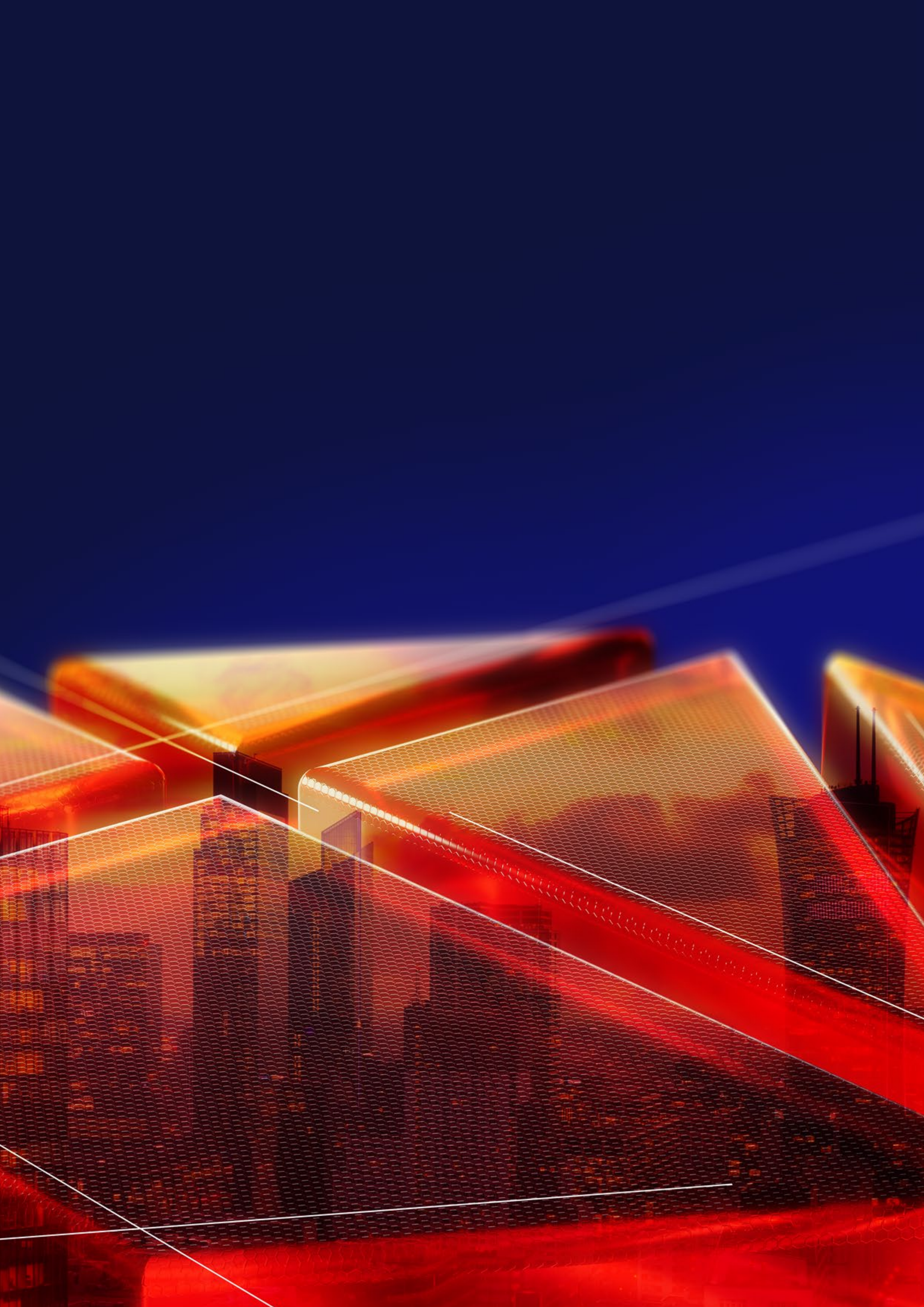
4.3 Skill Demand, Wages and Productivity

The survey findings indicate that Hungarian business services are navigating a **dual reality; rapid growth in skill demand and productivity capability, balanced against wage inflation, narrowing cost competitiveness, and geopolitical-economic uncertainty.**

BSC leaders report on **rising demand for advanced digital skills**, driven by the sector's transformation agendas well as sophisticated functions where BSC delivers both direct and indirect global value. Finally, a growing need for resilience and flexibility in the workforce has been observed.

Leaders see **rising wages for high-skill roles, reflecting scarcity of talent in emerging capabilities**, with some noting that wages have increased further post-COVID and inflation. **This is narrowing Hungary's cost competitiveness as wages approach levels in certain Western EU countries, like Portugal,** to the point where selected transactional services are already being relocated to lower cost countries.

Over 80% of service centres see clear **productivity improvements,** driven mainly by: **AI adoption and time-saving tools, workforce development and upskilling, process standardization.**



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TRENDS AND OPPORTUNITIES

***HUNGARY IS EMERGING* as a global leader in digital transformation within the BSC sector, driving automation and innovation while building a skilled, future-ready workforce. Through multifunctional, technology-driven centres, the country is deepening its integration with global organisations and strengthening its position as a key European hub for high-value, digital talent–powered operations.**

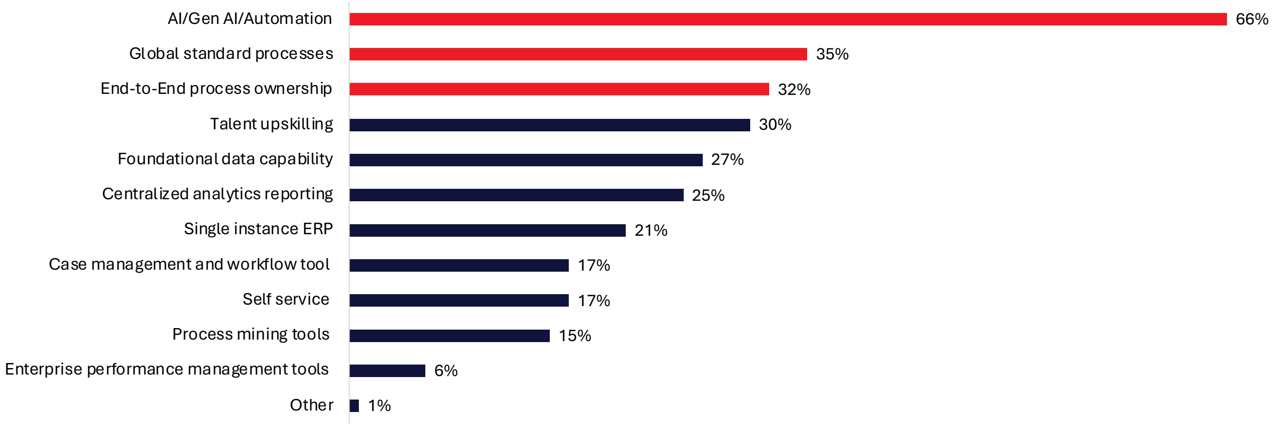
5.1 Digital Transformation and AI Adoption

Survey results show that Hungarian business services are firmly **embedding digital transformation into their strategic agenda.** Interviewees stress that digital capability is now a competitive necessity rather than an optional enhancement. Without continuous automation and AI adoption, centres risk losing mandates to lower-cost or higher-value jurisdictions.

All BSC leaders state that their strategies include strong focus on developing AI capabilities, a widespread use of collaborative AI, an enterprise-level adoption of automation technologies, even up to a “lights out” model, **and transforming overall into digital innovation hubs.** They put emphasis on automation, RPA, and AI adoption, with several leveraging global partnerships (e.g., Google, ServiceNow, BlackLine) to accelerate implementation. As a prime example, one BSC has implemented a ChatGPT-based assistant designed in Hungary but deployed globally, thus demonstrating the sector’s leadership iin AI innovation.

These statements are in line with Deloitte’s 2025 GBS survey that shows a global trend for business services organisations planning to heavily invest in AI/GenAI/Automation over the next 1-3 years:

Future investment areas in BSC orgnisations



Note: The total across the chart exceeds 100% because the survey allowed respondents to select multiple options

***Source**: 2025 Deloitte's Global Business Services (GBS) Survey*

Importantly, **BSCs prefer to focus on investing in upskilling rather than workforce reduction, ensuring sustainability and positive social impact.**

5.2 Multifunctional and Innovation-Driven Centres

The Hungarian BSC sector continues its evolution from transactional delivery toward high-value services. All respondents expect growth in at least one (often more) of the following key areas: advanced analytics, information security including cybersecurity, cloud-based solutions, and further growth into complex multilingual service delivery, **highlighting further a shift to value-added and knowledge-intensive functions.**

This shift does not necessarily imply large headcount growth, but rather a maturity curve toward more complex, senior, and specialized roles. Almost all **BSC leaders stress their aspiration for Hungary to become their companies' key centre for highly skilled workforce, enhancing the country's attractiveness as a high-end BSC location.**

5.3 Strategic Opportunities

The survey highlights untapped growth potential and broader economic impact:

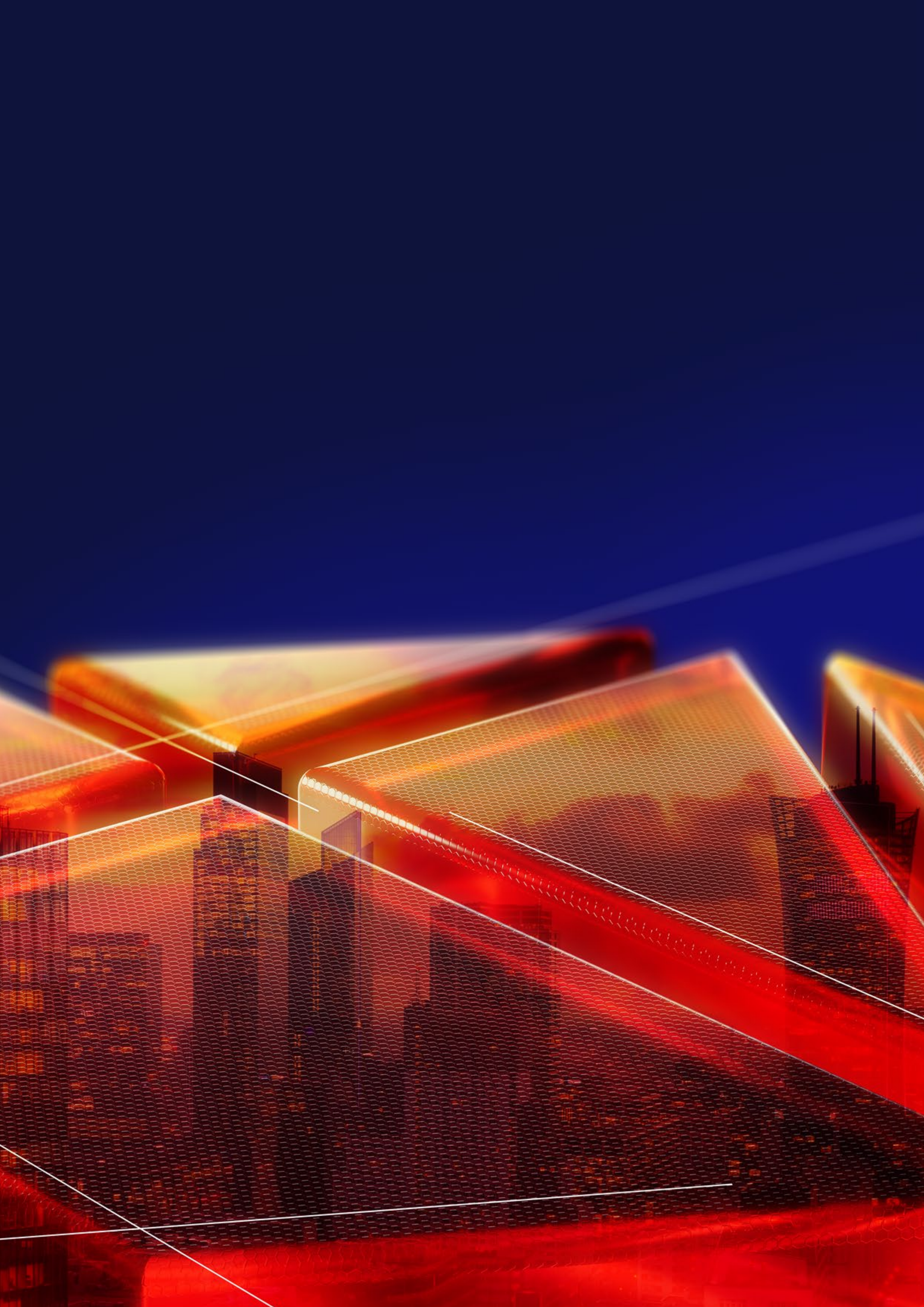
Over 80% of BSC leaders confirm Hungary's position as a strategic hub for business and technology services, primarily to meet nearshore demand and align with future enterprise visions. **Some still note relatively low BSC penetration within their parent company**, signaling significant opportunities for further integration, scope expansion, and new mandates. This points to Hungary's potential to capture more functions and become an even more strategic hub within global enterprise models.

Moreover, currently planned and/or executed improvements increase operational efficiency and reinforce Hungary's position as a high-value delivery location. **Digital maturity and innovation adoption are already strengthening Hungary's reputation** as a tech-savvy business services hub, capable of attracting further foreign investment.

Interviewed leaders underline that the focus on **developing value-added services contributes to Hungary's high-skilled digital talent pool, creating wider benefits for the economy**. At the same time, the ambition to position Hungary as a leading skilled workforce location underpins its long-term competitiveness.

> **TCS has established European Delivery Network, a framework with set of well-chosen locations in Europe, to address increasing demand for nearshore services. Hungary plays a strategic role in this model, offering a skilled workforce and central location.**

Prabal Datta
General Manager of TCS Eastern Europe

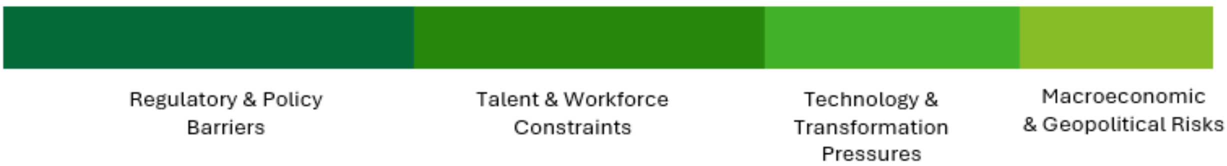


6

CHALLENGES

***HUNGARY'S BUSINESS SERVICES SECTOR** is entering a pivotal phase marked by mounting structural challenges. Talent shortages, mobility barriers, and policy inefficiencies are increasingly constraining growth and competitiveness. At the same time, digital transformation pressures and external economic volatility are testing the sector's adaptability and long-term sustainability.*

Key challenges as seen by BSC leaders in order of significance:



Note: The chart represents how often each topic was mentioned across all interviewee responses.

6.1
Talent & Workforce Constraints

> **There's a shift toward higher-skilled roles; adoption of technology is boosting productivity, however certain specialized skill shortages (e.g., SAP, ServiceNow, Cyber Security) persist. Skill gaps, especially when it is combined with language requirements many times fulfilled by foreigners, however restrictive third-country employment regulations often pose obstacles to acquiring and retaining foreign talent pool.**

Edina Drabik
Managing Director - IBM Hungary ISSC

Talent availability is the single most frequently cited challenge across interviews, therefore making it the most pressing one, particularly in case of advanced digital skills (AI, automation, analytics, cybersecurity) and multilingual capabilities. There is limited talent pool available with these future-proof skills in Hungary, therefore business services organisations take the role of reskilling and upskilling their employees while talent mobility is hindered by rigorous immigration regulations.

Simultaneously, **talent retention is increasingly difficult** in a competitive labour market; while organisations stress the importance of securing and keeping high-skill professionals.

Furthermore, respondents highlight the need to modernize education and strengthen links with academia to ensure graduates are equipped with skills required by modern business services organisations.

Following the findings of Deloitte's 2025 Global Business Services Survey, a large portion of business services organisations are also facing talent related struggles and are focusing on revising their talent strategy to address these challenges appropriately:

Skill set gap followed by attrition is a major challenge faced by GBS organizations highlighting an opportunity to upskill talent with latest tools and focus on driving a strong culture

Top 5 Talent Challenges within GBS Organization

41%	Recruiting Talent with the Right Skills
35%	GBS Brand within the Organization
34%	Skillset and Capability Gaps
34%	Retaining Key Talent / Attrition
30%	Increased Labor Cost

Source: *2025 Deloitte's Global Business Services (GBS) Survey*

It can be stated that without consistent access to a skilled, mobile, and retained workforce, Hungary's position as a strategic talent hub is at risk.

BEST PRACTICE IN OTHER COUNTRIES:

POLAND supports companies and individuals through PARP's training programs and the Akademia PARP e-learning platform, which provide free or subsidized courses in digital competencies, management, and foreign languages. These programs strengthen local talent pipelines and reduce overreliance on external recruitment.[3]

6.2 Regulatory and Policy Barriers

Immigration procedures are described as overly bureaucratic, with long lead times and unclear requirements, **hindering the mobility of non-EU professionals** and limiting the ability to quickly respond to labour market needs – whether to fill shortages in specialist roles or to bring new capabilities that enhance the sector's maturity. Several leaders complained that regulations are frequently changing and obtaining work permits for non-EU professionals could take months or even years, with unclear documentation requirements and inconsistent enforcement.

These barriers in recruiting non-EU talent **limits access to critical skills and potentially cause organisations to eventually locate work in other countries.** Interviewees called for **simplified, transparent and faster work-permit procedures,** as well as **greater use of digital tools in public administration.**

[3] Polish Agency for Enterprise Development - Training and Skills Improvement 2025. https://en.parp.gov.pl/component/site/site/training-and-skills-improvement-more

Legislative delays and unpredictability undermine stability, while limited government support for and lack of policy alignment with the BSC organisations create inefficiencies, particularly in areas such as tax frameworks and broader sectoral recognition.

Finally, **opportunities remain to strengthen national branding and recognition of Hungary's BSC sector**, ensuring that its economic contribution is fully reflected in both international visibility and domestic policy prioritization.

All in all, policy and regulatory inefficiencies are slowing talent mobility, creating uncertainty, and limiting the sector's ability to scale within global organisations.

BEST PRACTICE EXAMPLE IN OTHER COUNTRIES:

CZECHIA has introduced a set of fast-track migration programs to alleviate hiring bottlenecks in high-demand roles. The Highly Qualified Worker and Key & Scientific Personnel programs give accredited employers quicker access to non-EU specialists, while the Digital Nomad Program supports companies employing remote IT professionals. These measures significantly shorten processing times and reduce uncertainty for both firms and foreign talent.[4]

6.3 Technology & Transformation Pressures

Flexibility and transformation agility are critical: staying ahead of automation, AI, and new delivery models are both a necessity and an opportunity for Hungary to remain competitive.

Unfortunately, integrating advanced technologies; particularly embedding AI into legacy systems; **remains a pain point.** Additionally, digital skill gaps and resistance to change exacerbate challenges in adopting emerging technologies. **Centres must balance the pace of innovation with the risk of disrupting ongoing service delivery.**

While Hungary is aiming to be a digital innovation hub, the pace of adoption and integration risks slowing its potentials, especially if organisational visibility and resources remain constrained.

Best practice example in other countries:

SEVERAL CEE GOVERNMENTS have already recognized the need to support organisations in adapting to automation, AI, and new delivery models.

[4] CzechInvest - "Highly Qualified Worker; Key and Scientific Personnel; Digital Nomad Program." 2025. https://czechinvest.gov.cz/en/For-Investors/Visa-Support/Highly-Qualified-Worker; https://czechinvest.gov.cz/en/For-Investors/Visa-Support/Key-and-Scientific-Personnel; https://czechinvest.gov.cz/en/For-Investors/Visa-Support/Digital-Nomad-Program

POLAND adopted a national AI strategy in December 2020, covering the period up to 2027. It includes substantial funding for AI research and innovation, public procurement incentives, and mechanisms such as implementation-PhDs and the Virtual Research Institute to strengthen collaboration between academia and industry. The strategy also reforms education to build a pipeline of AI projects and digitally skilled graduates.[5]

6.4 Macroeconomic & Geopolitical Risks

> **Macroeconomic factors, including inflation and geopolitical developments, continue to shape the business environment. These external conditions may influence investment decisions and, over time, affect Hungary's attractiveness as a GBS location.**

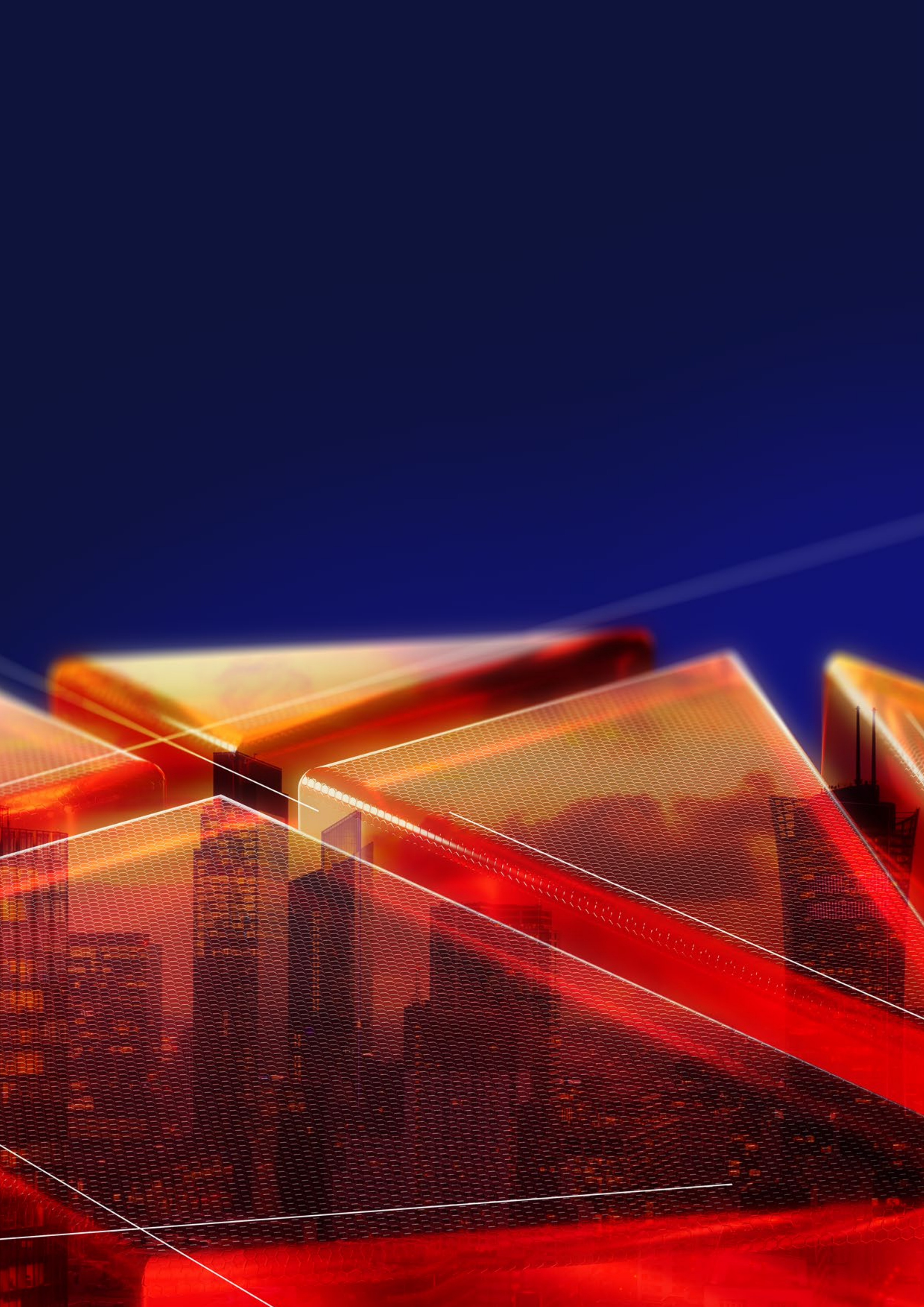
Norbert Makk
Managing Director of Unisys

Hungary's cost advantage relative to Western Europe is narrowing. Macroeconomic volatility; inflation, taxation policy changes, unpredictable currency fluctuations; deteriorates Hungary's competitiveness relative to peer BSC locations such as Poland, Romania, Portugal, or Egypt. Increasing operational costs, especially labour costs, further erode cost competitiveness.

Geopolitical instability, including the war in Ukraine, geopolitical tensions, global trade dynamics **adds to uncertainty.** All these factors cause higher investment risks, delaying corporate expansion decisions or prompting organisations to accelerate automation and consider additional near-shore or off-shore locations.

Based on that we can see that Hungary faces a fragile external environment that could limit future growth of the business services sector if competitiveness, flexibility, and resilience are not strengthened.

[5] AI Watch / European Commission - "Poland AI Strategy Report." 2021.https://ai-watch.ec.europa.eu/countries/poland/poland-ai-strategy-report_en



7

EXTERNAL FORCES SHAPING THE SECTOR

***HUNGARY OFFERS** strong baseline tax efficiency for business services, but to stay competitive in the innovation-driven global BSC market, it could introduce more targeted incentives for digital and high-value investments. Establishing a government–business mechanism to ensure stable, predictable tax policies would further strengthen investor confidence and support continued sector growth.*

7.1 Impact of Global Economic Conditions

Global economic volatility and shifting policy frameworks exert a direct influence on the way organisations design their delivery models as well as make investment decisions. Although inflationary pressures and currency volatility have accelerated the adoption of automation and AI as cost-control measures, Hungary's relative stability, established BSC infrastructure, and strong talent pool continue to attract investment — not necessarily in the form of new centres, but rather through expansion of services — despite uncertainty.

Some organisations rely on multi-location delivery models across Europe to balance risks, ensuring resilience, and maintaining uninterrupted service delivery during periods of potential economic disruption. For some, global economic turbulence has introduced greater complexity into cost planning, requiring more strategic approaches to internal outsourcing and investment allocation.

7.2

Impact of Taxation Frameworks and Trade Policies

> **The recent complexity of Hungarian work permit regulations and their frequent changes can hinder operational expansion. The Sanofi Budapest Hub actively monitors local regulations and adjusts its operating models to reduce risk while ensuring compliance.**

Ahmed Ismail
Head of Sanofi Europe GBS Hubs

Shifts in taxation and trade policy have a tangible impact on how parent companies, relating to their business services centres in Hungary, shape their strategies and investment decisions. While some changes have been viewed positively, such as the reduction in Hungary's social security tax from 29% to 13%, which has significantly improved cost competitiveness, uncertainty remains a dominant theme in the business environment with BSC-specific tax grants rarely in place.

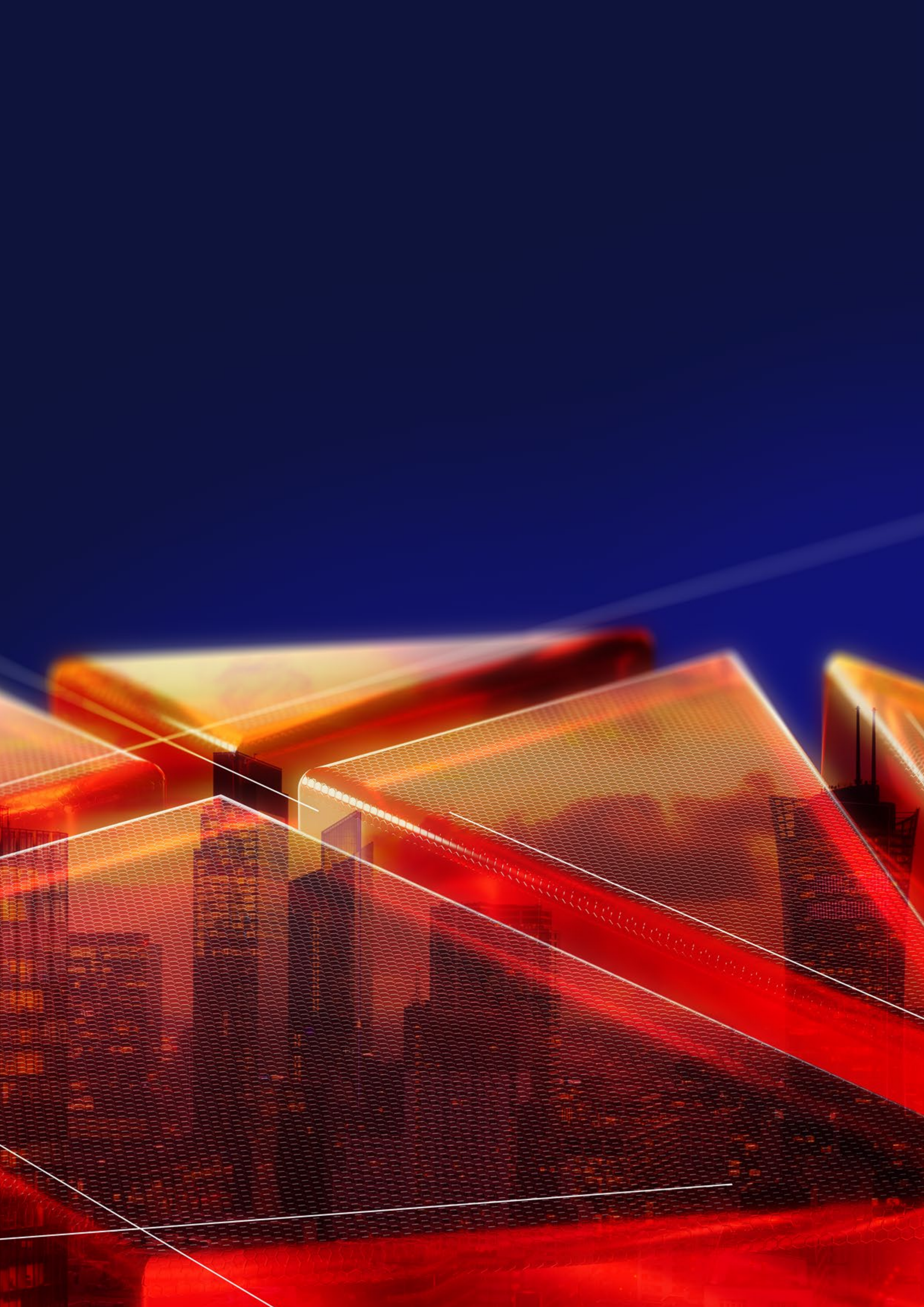
Many leaders pointed out that frequent and often unpredictable changes in taxation rules and compliance requirements make it difficult to plan long-term investments with confidence. This unpredictability can erode Hungary's relative attractiveness when global organisations evaluate competing business services locations. A smaller number of organisations highlighted that they are carefully monitoring local tax regimes and adjusting operating models to remain flexible and mitigate risks.

For a broader viewpoint, we have prepared a brief overview of BSC-relevant taxes and incentives offered in Hungary and in its 2 direct EMEA competitors – Poland and Romania - that been summarized and depicted in the below heatmap.

Best practice example in other countries:

POLAND PROVIDES the broadest and most multi-layered package of incentives, combining the Polish Investment Zone (CIT exemptions of 40–70%), very generous R&D super-deductions (up to 200%), and an IP Box regime taxing qualifying IP income at 5%. These measures, layered with regional and municipal property tax exemptions, make Poland particularly competitive for innovation-heavy, knowledge-intensive BSCs seeking to leverage both tax efficiency and state support.[6]

[6]Polish Investment and Trade Agency (PAIH) - IP Box. 2023. https://www.paih.gov.pl/en/why_poland/investment_incentives/ip_box/
Polish Investment and Trade Agency (PAIH) - Investment Incentives in Poland 2023. https://www.paih.gov.pl/en/why_poland/investment_incentives/



8

FORECAST

THE HUNGARIAN BUSINESS SERVICES SECTOR is entering a phase of opportunity where its continued success will hinge on embracing digital transformation, investing in talent, and building stronger partnerships with both government and academia. By reinforcing its strategic positioning and ensuring a supportive external environment, Hungary can evolve into one of Europe's leading hubs for high-value, innovation-driven BSC services.

In terms of opportunity and unexplored potential, the outlook for the Hungarian BSC sector over the next five to ten years is broadly positive. Barring some unexpected events, the sector is expected to remain stable, with a continued gradual evolution away from headcount-driven expansion toward a model centred on value creation and realization services. This reflects the sector's growing maturity and its ambition to deliver more strategic, innovation-led outcomes rather than relying purely on labour cost advantages.

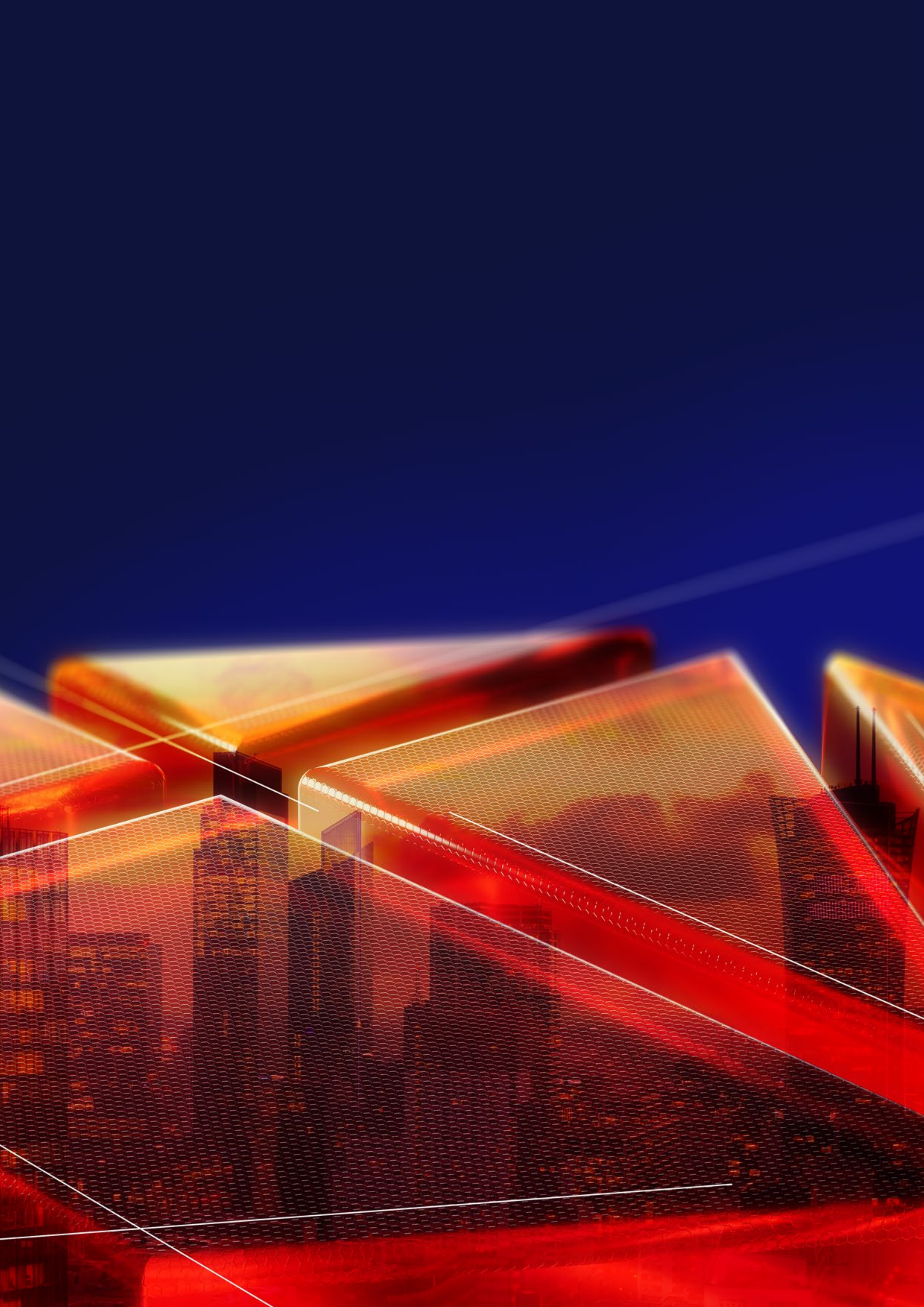
Hungary is seen as well-positioned to remain a high-impact, multilingual business services destination, underpinned by its versatile talent pool, cultural proximity to Western markets, and a mature operating ecosystem. Respondents emphasized that the country has the potential to become a leading regional hub for AI, automation, cybersecurity, and digital services, provided that the right policy environment, infrastructure support, and industry visibility are in place. At the same time, leaders noted that the sector's competitiveness should be further strengthened through **closer collaboration between public and private stakeholders**, raising awareness of the **sector's contribution to the economy**, and ensuring that **educational programs are aligned with evolving business needs** to broaden the talent pipeline.

To realize this potential, BSC organisations in Hungary will need to prioritize several strategic imperatives. First, **digital transformation** must remain at the centre of the agenda. Nearly all respondents stressed the importance of embedding AI, hyper-automation, and other innovation-driven solutions into core operations to secure efficiency, offset cost pressures and drive new value. Second, **dynamic talent development** will be critical. This includes continuous upskilling, building resilient leadership, and forming closer partnerships with universities to prepare industry-ready graduates equipped with the digital and soft skills required in a rapidly evolving environment.

Agility, operational flexibility and value creation also emerged as key themes. Business services organisations must continue their shift from transactional service delivery toward strategic roles, strengthening process excellence, resilience, and cross-functional collaboration to break down silos. Respondents also highlighted the importance of **strengthening** both **internal branding and client-facing capabilities** to position the BSC as a trusted strategic partner within global organisations. Furthermore, **proactive regulatory engagement** will be essential to influence labour market, immigration, and digital innovation policies, helping create a more supportive environment for growth.

Looking ahead, **scaling operations and expanding internal penetration within parent organisations represent another growth path**, not only by extending the service portfolio but also by broadening the footprint of existing functions.

Respondents also agreed that **collective influence** – through collaboration across companies, industry associations and the legislation – could enhance the sector's voice and impact at both national and international levels.



9

SUPPORT REQUESTED FOR THE BSC SECTOR

HUNGARY CAN BOOST its business services competitiveness by streamlining immigration, improving skills training, enhancing global branding, and strengthening public–private cooperation. Simplified talent visas, digital education programs, and closer collaboration between government, academia, and industry would help attract skilled professionals and support long-term sector growth.

9.1 Enhance Policies for Immigration and Talent Development

A recurring theme across all interviews was the critical need for more efficient and transparent immigration processes**. At present, lengthy and unpredictable procedures create significant barriers to attracting and retaining talent, particularly in high-skill digital roles and with much needed language skills. Respondents emphasised that** Hungary's long-term competitiveness as a business services location depends on its ability to access a broader labour pool, including non-EU professionals.

Policy recommendations include the simplification of **work-permit procedures**, the **introduction of digital application platforms with predictable processing times**, and the establishment of **specialised "talent visas"** targeted at professionals in high-demand fields **such as AI, cybersecurity, and cloud computing.**

Interviewees also noted that immigration frameworks should adapt to the realities of modern work by **enabling remote and hybrid arrangements**. Allowing digital nomads or part-time foreign professionals to contribute to Hungarian operations without difficult visa requirements could significantly expand the talent base available to the sector.

9.2 Advance Education and Skills Development

Another central theme concerned the **alignment of education systems with industry needs**. While Hungary produces many graduates, the skills they possess do not always correspond to the requirements of business services employers, especially in areas related to digitalisation and service delivery**. Respondents called for targeted educational programs promoted by the government and stronger cooperation between regulatory bodies, universities, industry associations and business services providers to bridge this gap.**

Suggested measures include the **establishment of common training programmes** in certain fields such as artificial intelligence, machine learning and cybersecurity. These initiatives should be complemented by **tax incentives for companies** that invest in workforce development, apprenticeships, and professional certification**. Universities could also integrate** work-experience modules directly into curricula**, ensuring that graduates enter the labour market with both theoretical knowledge and practical capabilities**. **Expanding language training and the language exam as prerequisite to obtain a degree** would further strengthen Hungary's ability to provide multilingual services, an enduring competitive advantage for the sector.

9.3 Build Effective Promotion and Incentive Frameworks

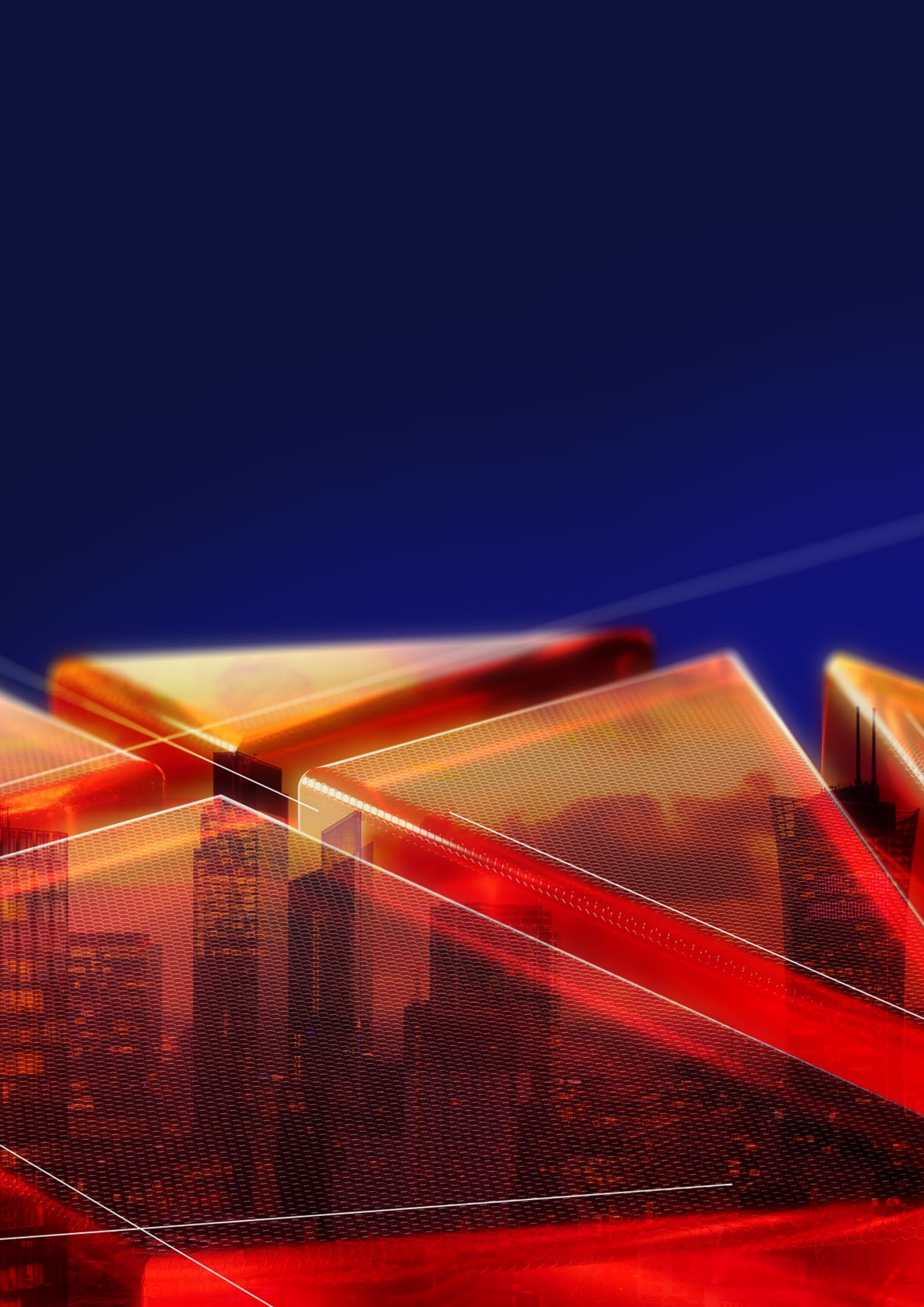
In addition to infrastructure and skills, the sector's future competitiveness depends on Hungary's ability to strengthen its global brand **as a hub for digital services and talent. Interviewees observed that, despite the country's achievements, Hungary remains underrepresented in international BSC dialogues.** Targeted branding initiatives could help correct this imbalance.

Joint campaigns led by government agencies, such as the Hungarian Investment Promotion Agency (HIPA)**, together with industry associations, could showcase Hungary's success stories in automation, AI, and cybersecurity**. Highlighting innovation and digital excellence would not only attract new investment but also draw high-skill professionals to the country or even inspire Hungarian workforce to return to Hungary from other countries. **In this sense, branding functions both as an investment promotion tool and as a mechanism for talent attraction.**

9.4 Strengthen Public-Private Partnerships

Finally, respondents stressed the importance of public–private partnerships in shaping the sector's long-term development. **Effective collaboration between government, academia, and industry is seen as critical for ensuring that Hungary's workforce and regulatory environment remain competitive.**

Practical recommendations include **co-developing curricula** between universities and BSCs, creating **shared innovation labs** where corporations and researchers can collaborate on AI and automation projects, and launching **reskilling programmes** for workers whose roles may be displaced by automation. The establishment of **sector councils**, bringing together business leaders and policy makers, was also proposed as a means of ensuring that regulatory reforms are informed by industry realities. Such mechanisms could provide structured, ongoing dialogue between public authorities and the private sector, helping Hungary to maintain its position as a leading business services destination in Europe.



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CONCLUSION

THE HUNGARIAN BSC SECTOR STANDS AT AN INFLECTION POINT.
It has successfully moved beyond its transactional roots to become a core node in global enterprise ecosystems, delivering high-value services and fostering a digitally skilled workforce. Its strategic outlook remains broadly positive: Hungary is expected to retain its role as a high-impact, multilingual hub, with growing importance in AI, automation, and cybersecurity.

To fully capture this potential, however, Hungary must address critical enablers.

First, **talent remains the decisive factor**; access, mobility, and development of advanced skills must be secured through education reform, university collaboration, and streamlined immigration policies.

Second, **policy and regulatory predictability** will be essential to give investors confidence, particularly in taxation and compliance.

Third, **sector branding and promotion** should be elevated to match its economic contribution, strengthening Hungary's visibility in global BSC dialogues. Delaying action could allow competitors in Central and Eastern Europe to take the lead.

With **stronger public–private collaboration,** enhanced talent strategies, and targeted innovation incentives, Hungary has the potential to consolidate its place as one of Europe's leading business services destinations.

The sector's strategic direction is clear: success will no longer be defined by cost savings, but by the ability to create value, drive digital transformation, and embed Hungary into the global knowledge economy.

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