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## HUNGARIAN REGIONAL ANALYSIS

BUILDING REGIONAL RESILIENCE TO INDUSTRIAL STRUCTURAL CHANGE

West-Transdanubian Region - Hungary

**Hungarian Partner**

Project Partner: Pannon Business Network Association



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## INTRODUCTION

FOUNDATION is an Interreg Europe funded SME Competitiveness project that brings together nine partners in a consortium led by Cork Institute of Technology from 1/08/2019 to 31/07/2023. Presently, across Europe, public bodies are pressed by an increasing need to provide preparatory support to the economic ecosystem in advance of the closure of anchor firms in their region which act as significant employers. The impacts of a closure of course go beyond direct employees and ripple, wave like throughout the regional services sector and economy. Management of such anticipated structural change requires proactive renewal of business approaches and policy supports. Regions are encouraged to introduce pilot projects based on their own strengths and to provide appropriate business supports for the re-alignment of the regional industrial base. This proactive approach by regional stakeholders is critical to building the resilience of these regions and enabling them to adapt to change.

The importance of SMEs and start-ups to the regional economy is widely recognised in terms of the provision of employment, contribution to GDP, driving innovation and supporting regional resilience. It is imperative that the relevant regional stakeholders keep informed, inspired and equipped to provide the appropriate SME and start-up supports, particularly in regions anticipating structural change.

FOUNDATION links its project partners to develop Regional Action Plans and an overall Framework and Roadmap for Anticipated Structural Change. It is imperative that industry players, business support organisations and policy makers understand how their ecosystems work and when faced with shocks (firm closures) to collaboratively develop alternative growth and employment through supportive policies and programmes to boost SME competitiveness. Key project activities included the exchange of experience and learning through interregional events (4 workshops, 4 seminars and 9 study visits).

## FOUNDATION PROJECT PARTNERS



## HUNGARY – WEST-TRANSDANUBIAN REGION

The [Pannon Business Network Institution](#) is the Hungarian partner representing the West-Transdanubian region and is project partner in the FOUNDATION consortium.

**Capital:** Győr

**Area:** 11 328 km<sup>2</sup>

Győr-Moson-Sopron County: 4208 km<sup>2</sup>  
Vas County: 3336 km<sup>2</sup>  
Zala County: 3784 km<sup>2</sup>

**Population:** 989 343 (January 1, 2019). <sup>1</sup>

Győr-Moson-Sopron County: 467 144  
Vas County: 253 551  
Zala County: 268 648

**National GDP:**

- National: 42 661,8 billion HUF/ 133 790,6 million EUR (2018) <sup>2</sup>
- West-Transdanubia: 4 363 376 million HUF (2018)/EUR 13 368,87 (2018)
  - Győr-Moson-Sopron County: 2 467 255 million HUF/7737,49 EUR
  - Vas County: 1 004 036 million HUF / 3148,73 EUR
  - Zala County: 892 085 million HUF<sup>3</sup> / 2797,64 EUR

**National GERD:** 1,53 % = 654 billion HUF/2 billion (2018)

**Unemployment in %:**

- National: 3,5 % (2019)
- West-Transdanubian region: 1,8 % (2019)<sup>4</sup>



Figure1: 25 Subregions of West-Transdanubian region<sup>5</sup>

<sup>1</sup>[https://www.ksh.hu/docs/hun/hnk/hnk\\_2019.pdf#page=19&zoom=100,0,0](https://www.ksh.hu/docs/hun/hnk/hnk_2019.pdf#page=19&zoom=100,0,0)

<sup>2</sup>[https://www.ksh.hu/docs/hun/xstadat/xstadat\\_eves/i\\_qpt001.html](https://www.ksh.hu/docs/hun/xstadat/xstadat_eves/i_qpt001.html)

<sup>3</sup>[https://www.ksh.hu/docs/hun/xstadat/xstadat\\_eves/i\\_qpt012c.html](https://www.ksh.hu/docs/hun/xstadat/xstadat_eves/i_qpt012c.html)

<sup>4</sup>[https://www.ksh.hu/thm/2/indi2\\_3\\_2.html](https://www.ksh.hu/thm/2/indi2_3_2.html)

<sup>5</sup><http://www.terport.hu/regiok/magyarorszag-regioi/nyugat-dunantuli-regio>

### **Geographical characteristics:**

The West-Transdanubian planning-statistical region comprises 3 counties at the western border of the country: Győr-Moson-Sopron, Vas and Zala counties. With more than 11 thousand km<sup>2</sup>, it occupies 12,2% of the country's territory and has 657 settlements (2019). The capital of these three counties is Győr, which is the region's largest city (130 thousand people), followed by Szombathely (78 thousand people), Sopron (62 thousand people) and Zalaegerszeg (58 thousand people). Other central cities are Nagykanizsa, Mosonmagyaróvár and Keszthely. The region is uniquely bordered with four countries: Croatia, Slovenia, Austria and Slovakia<sup>5</sup>.

Densely populated urban and less populated rural areas alternate across the region, with an average population density of 87 people/km<sup>2</sup>, lower than the national average (105 persons/km<sup>2</sup>).<sup>6</sup> The region accounts for 10% of the country's population, with a population of 989 thousand people.

The West-Transdanubian region is not short of natural resources and attractions, all three counties are popular tourist destinations. In Győr-Moson-Sopron county, the Millenary Benedictine Abbey of Pannonhalma and Lake Fertő are listed on the World Heritage List, as well as the Esterházy and Széchenyi castles. Vas county is famous for historical city centre of Kőszeg, but here you can find the typical guard villages and national park, the Church Ják, the Írott-kő-Nature Park and another 5 arboreturns, Zala county is the home of the Lake Hévíz and Spa as the Europe's largest medicinal thermal lake, a part of Lake Balaton, and the Small-Balaton as well as the Göcsej regions in the county.<sup>7</sup>

### **Economic characteristics:**

The volume index of GDP per capita in purchasing power parity is EUR 21 900 (Eurostat, 1 December 2019), which represents the second place among Hungarian regions, but this represents only 70.6 % of the EU28 average. The structure of the economy is divided, as the industry and services sector accounts for 48-48 %, while agriculture accounts for only 4 % of GDP.

The share of R&D expenditure in Hungary to GDP is 0,72 % (Eurostat, 2018), which is about half of the EU28 (1,37 %). 76 % of gross R&D expenditure at national level (495 billion HUF) was provided by business research institutes in 2018. In the West-Transdanubian region, the number of R&D sites is 260, where 3587 researchers working in 2018. The region accounted for only 5 % of the R&D expenditure of the year 2018 (33 billion HUF). The county of Győr-Moson-Sopron contributed by 66 % to this value, Vas County by 25% and Zala county by 9 %.<sup>8</sup>

<sup>6</sup>[https://www.ksh.hu/docs/hun/xstadat/xstadat\\_eves/i\\_wdsd005c.html](https://www.ksh.hu/docs/hun/xstadat/xstadat_eves/i_wdsd005c.html)

<sup>7</sup><https://hu.wikipedia.org/wiki/Nyugat-Dun%C3%A1nt%C3%BAI>

<sup>8</sup><http://www.ksh.hu/docs/hun/xftp/idoszaki/tudkut/tudkut18.pdf>

This shows that there is a large gap in the region, which is resulted from in the North overrepresented automotive industry (Audi in Győr).

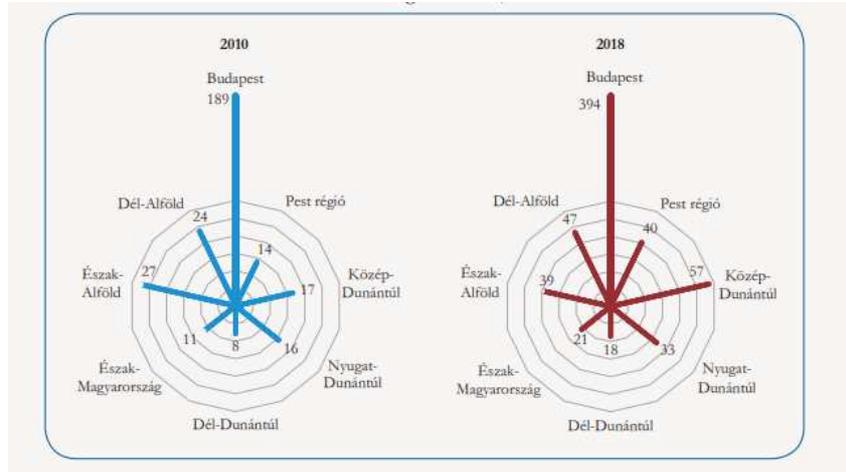


Figure2: R&D expenditures by region in Hungary, billion HUF

## REGIONAL POPULATION AND INDUSTRIAL STATISTICS

### Population decline and growth, population pyramid

West-Transdanubia comprises 10,1% of the total Hungarian population. At the census 2011, two counties of the area (Vas and Zala) were also characterised by population decline, but since 2018 there has been a slight increase in population growth for the whole region (Eurostat, 2019).

There are differences between counties within the region. According to the latest census data, Győr-Moson-Sopron County, which became one of the main areas of migration following the change of regime due to its developing industry, represented 4,5% of the country's population (2011). After the census of 2001, it was the only county besides Pest County where the population increased by 2,1%, (9 thousand people). Natural population decline has affected villages to a greater extent in the area. 41% of the county's population lived in villages, and the number of urban populations increased by 2% during 10 years, mostly in the cities with county rights (2.4 %).<sup>9</sup>

Vas County accounted for 2,6% of the country's population (2011). Between the two censuses, its population declined by 11,5 thousand which means a 4,3 % decline. This change is equal to the national processes. The natural population decline has also affected the villages to a greater extent. At the time of the census, more than six tenths of the county's population lived in the cities, 31% of these were in the county seat. Their number decreased by 4% over 10 years as well as in case of county seats slightly less, only by 3,7%.<sup>10</sup>

56% of the population of Zala County lived in one of the ten towns, and 21% lived in the county seat at the time of the census. The number of townspeople decreased by 4,9% for 10 years. The villages accounted for 44% of the county's population.<sup>11</sup>

A rapidly ageing population is characterised by Western Transdanubia and the ageing index for the region grew from 100,2 to 138,9 between 2003 and 2019.<sup>12</sup> In 2019, the majority of the population (66%) is aged 15-64, which was followed by 19,5% by the class of people aged over 65 and 14,5% of the population aged 0-14.<sup>13</sup>

<sup>9</sup>[Http://www.ksh.hu/docs/hun/xftp/idoszaki/nepsz2011/nepsz\\_03\\_08\\_2011.pdf](http://www.ksh.hu/docs/hun/xftp/idoszaki/nepsz2011/nepsz_03_08_2011.pdf)

<sup>10</sup>[Http://www.ksh.hu/docs/hun/xftp/idoszaki/nepsz2011/nepsz\\_03\\_18\\_2011.pdf](http://www.ksh.hu/docs/hun/xftp/idoszaki/nepsz2011/nepsz_03_18_2011.pdf)

<sup>11</sup>[Http://www.ksh.hu/docs/hun/xftp/idoszaki/nepsz2011/nepsz\\_03\\_20\\_2011.pdf](http://www.ksh.hu/docs/hun/xftp/idoszaki/nepsz2011/nepsz_03_20_2011.pdf)

<sup>12</sup>[Https://ec.europa.eu/growth/tools-databases/regional-innovation-monitor/base-profile/west-transdanubia](https://ec.europa.eu/growth/tools-databases/regional-innovation-monitor/base-profile/west-transdanubia)

<sup>13</sup>[Https://www.ksh.hu/interaktiv/korfak/terulet.html](https://www.ksh.hu/interaktiv/korfak/terulet.html)

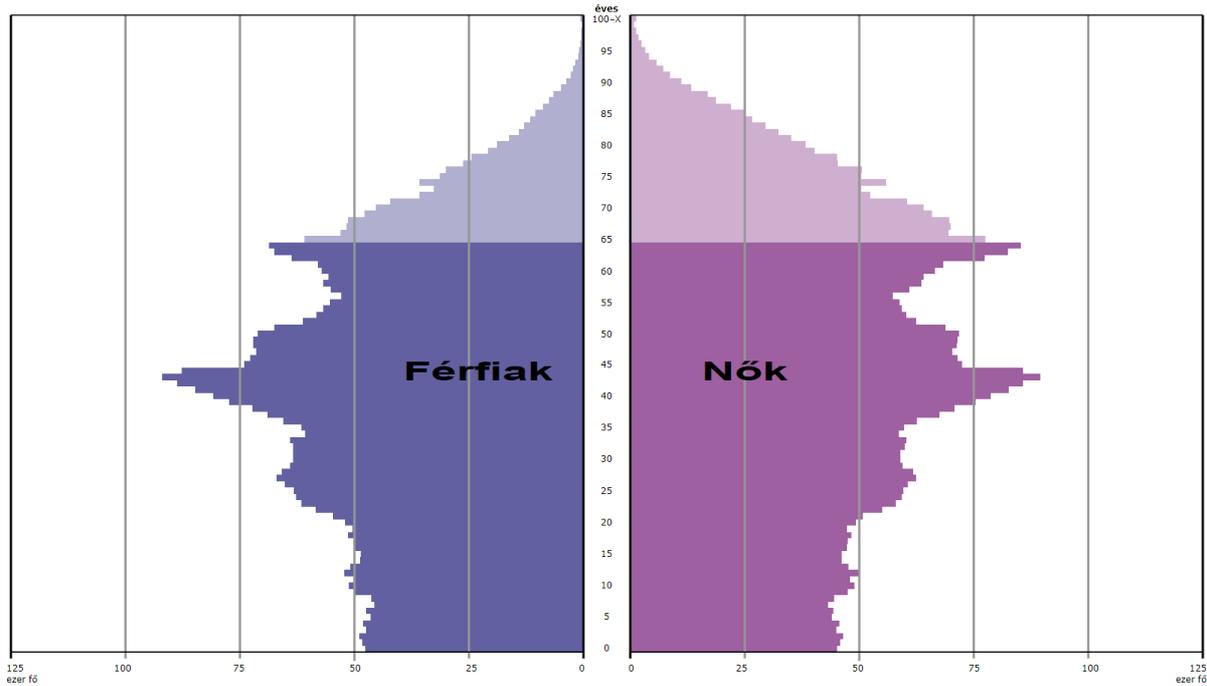


Figure3: Population of Hungary by sex and age (1<sup>st</sup> January 2019, HCSO - Hungarian Central Statistics Office)

### Employment and unemployment

In terms of employment, nationally from 2002 until 2015, each year we were well below the EU28 average, with a gap of between 5-9%. 2016 was the first year with a slight difference (0,4 %), but employment in Hungary was higher than the EU28 average (71,5 %).<sup>14</sup>

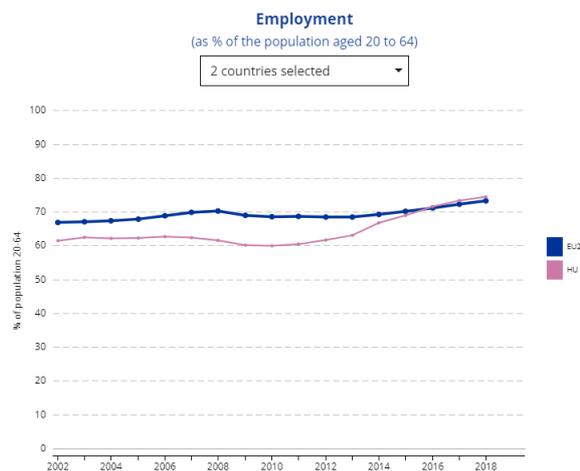


Figure4: Employment (%) of the population aged 20 to 64 in Hungary and EU28 (national data, non-regional)

<sup>14</sup>[https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Employment\\_statistics/hu](https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Employment_statistics/hu)

In the fourth quarter of 2019, the number of employees in West-Transdanubian region was 490,4 thousand, while 7900 people were unemployed. The employment rate was 64,1% at the same time. The unemployment rate is 1,6%, compared to this GYMS County is lower (1,2%), while Zala and Vas counties are higher (2-2%). This indicator is the lowest in the West-Transdanubian region compare to the other Hungarian region. It was significantly lower than the national average (3,5 %) and the EU28 average (6,3% in October 2019).<sup>15 16 17 18 19</sup>

Looking at regional employment figures by national economic sectors, more than half (53%) of the West-Transdanubian employees worked in services in 2019, followed by 42% by industry and 5% by agricultural employment.<sup>20</sup>

### Territorial distributions of disposable income, domestic data

West-Transdanubia is one of the regions with a favourable income structure, with its annual gross income of 1702 thousand HUF per capita, even though this value is lower than the national average (1 815 thousand HUF). With this value it is located on the same level as Pest County and is only preceded by the Central-Transdanubian region and Budapest, where this value is by 37% higher than in West-Transdanubian region.<sup>21</sup>

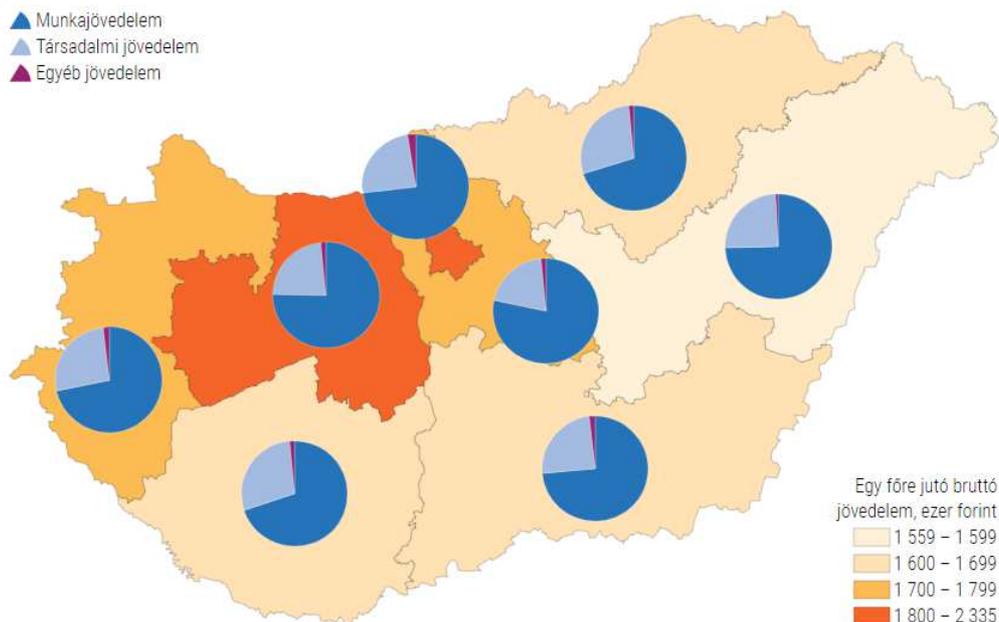


Figure5: Size and distribution of annual gross income per capita by region, 2018<sup>21</sup>

The net average earnings of full-time employees in the region amounted to 234 thousand HUF in 2019. The value on the county level was the highest in Győr-Moson-Sopron, with 259

15 [https://www.ksh.hu/docs/hun/xstadat/xstadat\\_evkozi/e\\_qlf021g.html](https://www.ksh.hu/docs/hun/xstadat/xstadat_evkozi/e_qlf021g.html)

16 [https://www.ksh.hu/docs/hun/xstadat/xstadat\\_evkozi/e\\_qlf022g.html](https://www.ksh.hu/docs/hun/xstadat/xstadat_evkozi/e_qlf022g.html)

17 [https://www.ksh.hu/docs/hun/xstadat/xstadat\\_evkozi/e\\_qlf027g.html](https://www.ksh.hu/docs/hun/xstadat/xstadat_evkozi/e_qlf027g.html)

18 [https://www.ksh.hu/docs/hun/xstadat/xstadat\\_evkozi/e\\_qlf026g.html](https://www.ksh.hu/docs/hun/xstadat/xstadat_evkozi/e_qlf026g.html)

19 <https://ec.europa.eu/eurostat/documents/2995521/10075437/3-29112019-BP-EN.PDF/749d647b-6961-5d3d-a8c6-8eaca44a539d>

20 [https://www.ksh.hu/docs/hun/xstadat/xstadat\\_hosszu/h\\_qlf017.html](https://www.ksh.hu/docs/hun/xstadat/xstadat_hosszu/h_qlf017.html)

21 <https://www.ksh.hu/docs/hun/xftp/idoszaki/hazteletszinv/2018/index.html>

thousand HUF. There was no such difference between the other two counties in the region, but both were much lower than the regional or national average.<sup>22</sup>

Average net earnings of full-time employees in 2019	
Győr-Moson-Sopron County	259 k HUF
Vas County	222 k HUF
Zala County	193 k HUF
West-Transdanubia	234 k HUF
National	244,6 k HUF

Table1: Average net earnings of full-time employees in 2019, HCSO

### Number of active enterprises, sectoral distribution

In 2017, there operated only 717,71 thousand out of 1720 thousand registered companies, of which nearly 71 thousand were operating in West-Transdanubian region.<sup>23 24</sup> By 2017, the number of businesses in all counties had increased, to a greater extent in Vas County. There was a significant increase among the regions, also in case of West-Transdanubian region (6-7%).<sup>25</sup>

### Largest employers - their share of total employment and their sectoral distribution

The West-Transdanubian region is the third most attractive area for foreign direct investors (FDI) after Budapest and Central-Transdanubian region. Although the region's share of all FDI stocks has declined since 2012, foreign investments have strengthened the region's manufacturing specialisation (machine and equipment, automotive, electronics).

The most important automotive investors are Audi, Schaeffler, Opel Szentgotthárd, BPW Hungária, SMR Automotive Mirror Technology, Dana Hungary and Nematik Győr. The main representatives of the electronics industry are Delphi Hungary and Epcos. Rába Automotive Holding Nyrt is an important Hungarian and innovative player, and Flextronics representing the Zala region.

Number of multis, sectoral distribution: in March 2020, only 1054 of 1,8 million registered companies were registered in the list of companies with more than 249 employees.<sup>26</sup>

Looking at the largest employers of West-Transdanubian region at county level, we see that manufacturing companies are predominant everywhere in 2018. Looking at the fifty largest

<sup>22</sup>[https://www.ksh.hu/docs/hun/xstadat/xstadat\\_evkozi/e\\_qli030b.html](https://www.ksh.hu/docs/hun/xstadat/xstadat_evkozi/e_qli030b.html)

<sup>23</sup>[https://www.ksh.hu/docs/hun/xstadat/xstadat\\_evkozi/e\\_qvd017c.html](https://www.ksh.hu/docs/hun/xstadat/xstadat_evkozi/e_qvd017c.html)

<sup>24</sup>[https://www.ksh.hu/thm/1/indi1\\_2\\_4.html](https://www.ksh.hu/thm/1/indi1_2_4.html)

<sup>25</sup><https://www.ksh.hu/docs/hun/xftp/idoszaki/valldemog/valldemog17.pdf>

<sup>26</sup>[https://www.ksh.hu/docs/hun/xstadat/xstadat\\_evkozi/e\\_qvd021.html](https://www.ksh.hu/docs/hun/xstadat/xstadat_evkozi/e_qvd021.html)

employers in all three counties, we see that Győr-Moson-Sopron county has increased, it has almost stagnated in Vas County, while employment in Zala county has decreased slightly.

In 2018, besides the slow growth of the automotive industry in Győr-Moson-Sopron County, manufacturing companies still play a huge role in terms of employment. 36 of the TOP50 companies with the highest number of employees were active in the manufacturing industry, which accounted for more than 80% of the total number of companies. In this year, the total number of the average headcount of the TOP50 largest employers counted nearly 44 thousand people, which is an 4,5% increase compared to the previous year. The number of employees increased by more than 2500 people at 48% of these companies. The county's largest employer is Audi Hungaria Zrt., where - as in previous years - the share of employees continued to grow by 7,8%, representing the half of the headcount increase of TOP50 companies. Three of the largest non-manufacturing employers were active in construction, energy, water supply, three in the areas of transport, storage, two in trade, vehicle repair, and six financial and other services.<sup>27</sup>

In case of Vas County in 2018, a significant quantity of the examined 50 largest employers, 30 companies belonging to the manufacturing industry and 25 in Szombathely or its surroundings were operating. The total average number of employees of the fifty enterprises amounted to nearly 30 thousand, which is a very small increase, only 100 more people than in the previous year. The number of employees also increased at 48% of the companies in the county, which represents 1300 people in Vas County, which is slightly more than half of the growth in Győr-Moson-Sopron County. The county's largest employer is a West-Transdanubian public transport company, where the average number of people decreased by 37 people, while the second largest is a road vehicle and a vehicle engine component manufacturer Schaffler Savaria Kft., where the largest increase in the number of staff was realised. In addition to the 30 largest manufacturing industry employers in the county, 2 companies in the field of construction, energy and water supply, 3-3 trade, transport, storage, and 12 other companies were active in other sectors such as agriculture, forestry, accommodation services and real estate transactions.<sup>28</sup>

In the same year, 28 companies were active in the manufacturing industry in Zala county, giving half of the total number of 50 companies. 21 of the 50 largest companies ranked based on the number of employees, were active in the subregion of Zalaegerszeg, and one third of the companies were large companies, representing 66,8% of the total number of employees. The total average number of headcount of TOP50 companies decreased by 0,4% compared to the values of the same companies in the previous year, but there was a higher decrease (3,6 %) compared to the top 50 companies in the previous year, even though the number of employees increased at more than half of the companies (54%). The county's largest employer was a temporary work agency, WHC Személyzeti Szolgáltató Kft., whose average number in 2018 increased by 12,6 %. 4 of the non-manufacturing companies were commerce, car repair, 3 accommodation services, catering, a further 3-3 in water supply, transport, storage, 2 administrative and other services, and 7 enterprises operating in other sectors such

<sup>27</sup>[https://issuu.com/gyormedia/docs/top100mag\\_fullsmall](https://issuu.com/gyormedia/docs/top100mag_fullsmall)

<sup>28</sup><https://www.yumpu.com/hu/document/read/62973142/top100-vas-megye-2019>

as agriculture, hunting and forestry, fisheries, mining, real estate transactions, art, entertainment, leisure, construction, energy industry.<sup>29</sup>

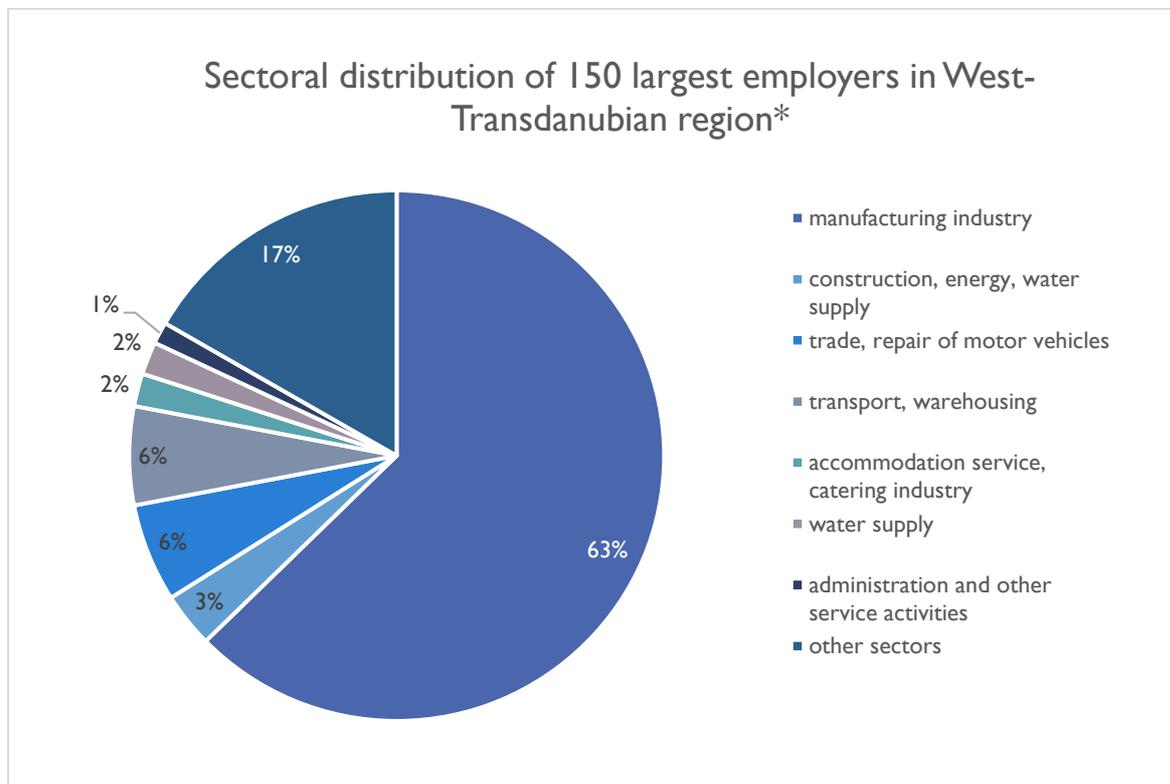


Figure6: Sectoral distribution of 150 largest employers in West-Transdanubian region

\*The diagram contains the sum of 50-50-50's largest employers in Győr-Moson-Sopron, Vas and Zala County

### Trends for the future

According to the UN forecast, there are only 8,5 million Hungarians in the world in 2050, which represents a 15% decrease in population.<sup>30 31</sup> At the same time, the number of elderly people is increasing. The number of declining active workers anticipates serious labour market problems, which must be dealt with in a timely manner and not only nationally but also regionally.

<sup>29</sup>[https://issuu.com/mediaworks2/docs/top100\\_2019\\_zh](https://issuu.com/mediaworks2/docs/top100_2019_zh)

<sup>30</sup><https://population.un.org/wpp/Download/Standard/Population/>

<sup>31</sup><https://fuhu.hu/dramai-elorejelzes-magyarorszag-nepessegerol/>

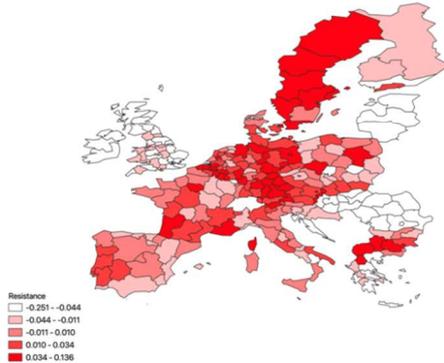
## ECONOMIC RESILIENCE ACROSS EUROPE

The 2007/8 economic crisis was the most severe shock to global financial markets since the great depression in the 1930s (Bordo and Landon-Lane, 2010; Barranco and Sudrià, 2012). Following the crisis there was a re-emergence of interest in how regional economies respond to and recover from economic shocks (Martin, 2012; Fingleton, Garretsen and Martin, 2012; Martin and Sunley, 2015; Doran and Fingleton, 2016). The term resilience in economic geography refers to the ability of a region 'to anticipate, prepare for, respond to and recover from a disturbance' (Foster, 2007; 14). There are three main conceptualisations of resilience; engineering, ecological, and evolutionary. Engineering resilience is an equilibrium based notion of how an entity or system is plunged into disequilibrium, and off its steady state, following a shock and can be defined 'how fast the variables return towards their equilibrium following a perturbation' (Pimm 1984: 322). The concept of ecological resilience can be defined as the 'the persistence of relationships within a system and is a measure of the ability of these systems to absorb changes of state variables, driving variables, and parameters, and still persist' (Holling 1973: 41). The region may settle on an inferior path post-shock or recover and assume a superior path post-shock.

However, these two forms of resilience have been criticised as too limiting and evolutionary resilience has gained significant focus in recent years. Martin and Sunley (2015) introduced such a conceptualisation of resilience defining it as a changing process that is adaptive. The adaptive capacities are based on the ability of the region to resist, reorientation, and recover following shocks. Martin and Sunley (2015:13) defined 'adaptive resilience' as 'the capacity of a regional or local economy to withstand or recover from market, competitive and environmental shocks to its developmental growth path, if necessary, by undergoing adaptive changes to its economic structures and its social and institutional arrangements, so as to maintain or restore its previous developmental path, or transit to a new sustainable path characterized by a fuller and more productive use of its physical, human and environmental resources'.

There are four broad ways of measuring resilience; (i) case studies, (ii) indices of particular regions in a descriptive discussion, (iii) Time series analysis focusing on the evolution over time, (iv) causal economic models. In this overview of regional resilience, it is the final approach, causal economic models, which is employed. The conceptualization of Martin and Sunley (2015:13) and Martin et al (2016) is employed to assess the resistance and recovery of regions following the 2007/08 economic crisis.

## Resistance



## Recovery

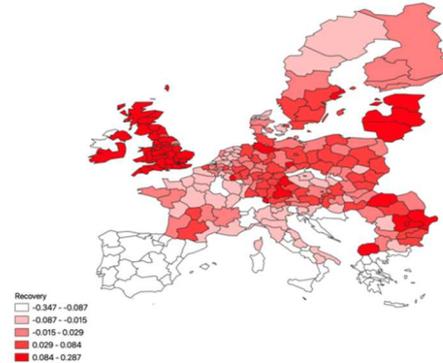
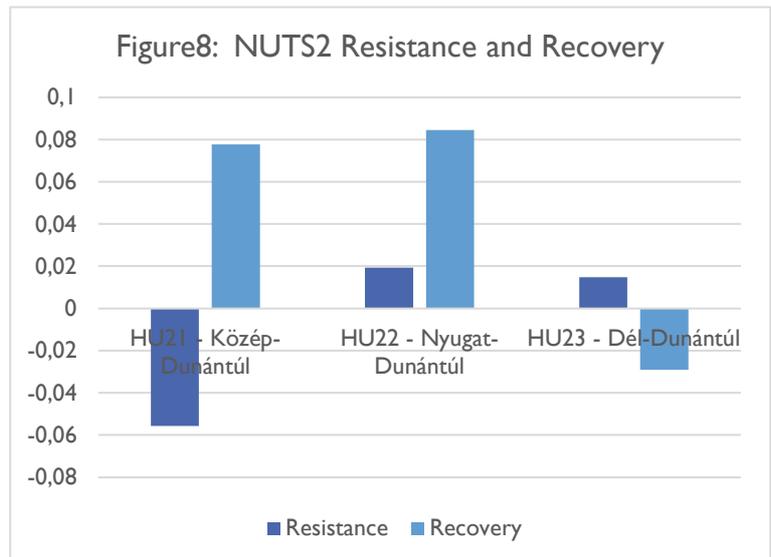


Figure7: The resistance and recovery of European Regions to the 2008 economic crisis

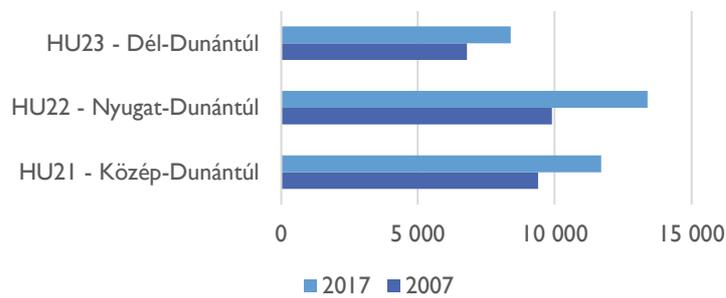
In Figure 1 the left hand side shows the resistance to the 2008 economic crisis while the right hand side shows the recovery following the 2008 economic crisis. In both instances the darker red colour shows that that region performed relatively better than the European average at resisting the shock (in the left figure) or recovering from the impact of the shock (in the right figure).

### HUNGARY (GYŐR) – NUTS2 NYUGAT-DUNÁNTÚL

To provide insights into the impact of past shocks on this economy and its relative resistance and recovery following these shocks Figure 2 presents an analysis of the resilience of select Hungarian regions. We can observe that the Nyugat-Dunántúlregion resisted the impact of the 2008 economic shock relatively poorly compared to the national average (the 0 axis) but that it exhibited a stronger than average recovery post shock.



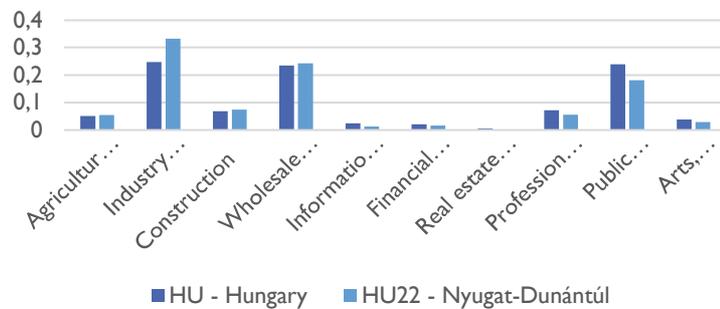
**Figure 9: GDP per capita in 2007 and 2017**



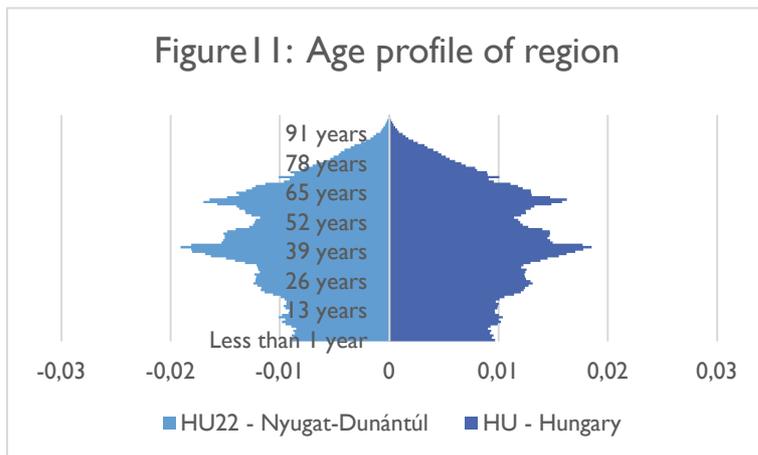
The impact of this pattern of adhering close to the national average in resistance and recovery has resulted in the Nyugat-Dunántúl region seeing an increase in GDP per capita in 2017 relative to its 2007 value. GDP per capita in the region is approximately 105% of the national average.

The proportion of the workforce employed across sectors in the Nyugat-Dunántúl region is very similar to that of the overall Hungarian economy. However, there are more people employed in the industry sector of the economy with a lower proportion employed in public administration.

**Figure 10: Proportion of employment by sector**



**Figure 11: Age profile of region**



The age profile of the Nyugat-Dunántúl region is similar to the national average, with the average age being approximately the same at 42 years. However, the region does display an aging demographic with a spike in the number of individuals aged around 60.

Regarding the engagement of the region in high-technology employment, Figure 12 compares the Nyugat-Dunántúl region to the national average over the period 2008 to 2018. It can be noted that the region has followed the national trend relatively closely with some fluctuations but is currently slightly below the national average.

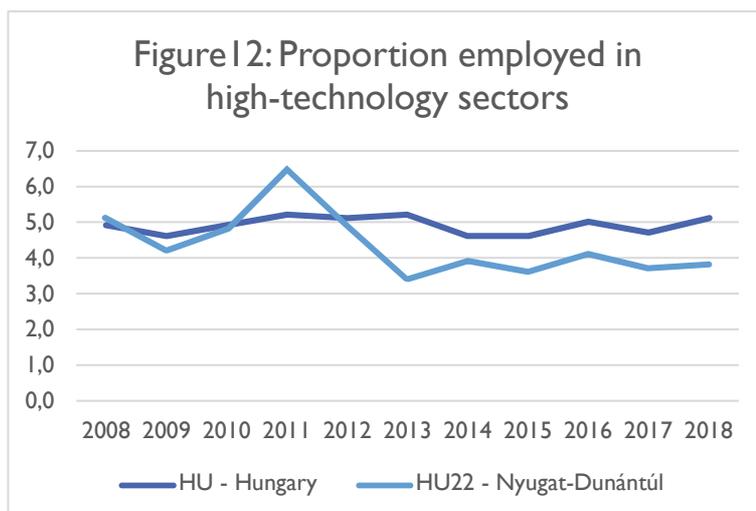


Table 2 below presents a brief comparison of the regions participating in this project. Significant variations can be observed across the regions with the Southern region of Ireland standing out with an exceptionally high level of GDP per capita and high-tech employment. While the Podkarpackie region of Poland has the lowest level of GDP per capita while the Vidurio ir vakaru Lietuvos regionas of Lithuania has the lowest level of high-tech employment as a proportion of employment.

Region	GDP - 2017	High Tech Emp % - 2018
FI1D - Pohjois- ja Itä-Suomi	33,800	4.10%
UKD3 - Greater Manchester	30,500	5.00%
IE05 – Southern Region	74,700	7.40%
LT02 - Vidurio ir vakaru Lietuvos regionas	12,400	1.50%
PL82 - Podkarpackie	8,500	2.10%
HU22 - Nyugat-Dunántúl	13,400	3.90%
AT31 - Oberösterreich	43,100	3.00%
ITC2 - Valle d'Aosta/Vallée d'Aoste	35,200	3.30%
ES62 - Región de Murcia	20,600	1.60%

Table2: Comparison of Study Regions

## INDUSTRIAL RESTRUCTURING IN THE WEST-TRANSDANUBIAN REGION

As part of this analysis, we are primarily investigating the economy and industry from the 1960s to the present day. The evaluation of the analysis and development of the economy is primarily based on the value of production, but this is difficult in time. Only estimates of local production values are available from before 1990. When examining the region, it should be taken into account that in the period before 2004 the Hungarian regions had no administrative significance, almost exclusively at national or county level data available.

It is important to know that the most dynamically developing counties of today's West-Transdanubia region in recent decades have suffered significant disadvantages in the history of the 20th century. After the end of World War I, much of their territory was lost. In the decades after World War II, their development during the communist period was at a disadvantage due to their close location to the border which is an advantage nowadays. The strict isolation of settlements along the Austrian and former Yugoslav border lines due to different political regimes was accompanied by a lack of development.

### Economic situation of West-Transdanubian region from the 1960s to the change of regime

In the middle of the twentieth century, Vas county's industrial output per inhabitant ranged at two thirds of the national average – exactly 64%, Zala County represented 89% of the national average and 116% of Győr-Moson-Sopron County. This shows that within the region Vas County was an under-industrialised area in the 1960s. Industrial development was not very typical in the next 5 years, and until 1965 the aggregate performance indicators were virtually unchanged for all counties.

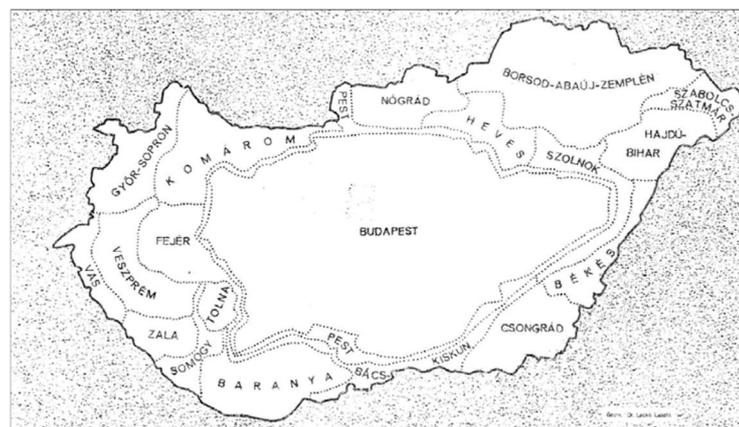


Figure13: The weight of counties on the basis of national income generated in industry in mid 20<sup>th</sup> century <sup>32</sup>

<sup>32</sup> Source: Bartke is 1967. He edited the diagram: Lackó László – 1960, weight of counties based on national income generated in industry

Like many parts of the country, forced industrialisation began in the West-Transdanubian counties in the second half of the 1960s. There have been extremely dynamic, top-down development processes in the counties, with the aim of making production more balanced nationally.

As a result, Vas County moved from the position of the underdeveloped counties to the middle-developed segment. It says a lot about performance, that in 10 years, the county's industrial output rose from 66 % of the national average to 85 %. Zala County showed much less progress during the decade, but in 1965 its industrial output was higher than Vas County achieved by the end of the ten-year period. In terms of industrial development, it was also classified as a medium-developed segment in 1975. The county of Győr-Moson-Sopron was one of the counties with advanced industry in the region, with a 126 % output.

%	1960	1965	1975
<i>Vas County</i>	64	66	85
<i>Győr-Moson Sopron County</i>	116	116	126
<i>Zala County</i>	89	87	93

Table3: County industrial output in proportion to the national average

During this period, investments were made in Vas County, such as the production of particle boards at Falco<sup>33</sup>, and the production of the capacitors to export based on Siemens license at Remix<sup>34</sup>, furthermore the development of the Sabaria Shoe Factory, where thousands of workers were employed, sold in a significant proportion to international markets.



Picture1: Launching the electronic manufacturing based on modern technology<sup>35</sup>

<sup>33</sup><https://www.falco-woodindustry.com/Cegbemutato/Tortenet.html>

<sup>34</sup>[https://www.nyugat.hu/tartalom/cikk/remix\\_gyar\\_szombathely\\_tortenet\\_epcos](https://www.nyugat.hu/tartalom/cikk/remix_gyar_szombathely_tortenet_epcos)

<sup>35</sup> Szombathely, Remix plant department, 1977. Imre Tóth photo, County library photo archive

The entire area of the county was affected by the development, the Szentgotthárd Scythes Factory started machines manufacturing in this decade.<sup>36</sup>

The newly established Pepsi bottling plant in Sárvár had outstanding importance.<sup>37</sup> Large-scale industrial investments were built with modern technology, export-oriented, but the Ivy Shop was also built as the first element of the commercial sector.

At that time in Zala County, Clothing Factory with state-of-the-art machinery and technology, the Zala County Dairy Company, the Zalaegerszeg Slaughter and Meat Industry Company, the Bread Factory, GANZ-MÁVAG's plant in Zalaegerszeg, Poultry Processing Company and Zalaegerszeg Refrigeration House were the most important representatives of the industry.

The development of Győr-Moson-Sopron County was also well demonstrated by a multitude of factories, of which the largest company with the longest history and the longest determining the economic life of Győr was the Rába Hungarian Wagon and Machinery Factory. In addition, several large textile, food and construction companies were found in the county.

Up to the last decade of the 20th century, these companies operated as the most important socialist companies in the county and employed a significant part of the population of the region. The population of the countryside found their jobs in farming cooperatives and state farms in those days.

### **The economic situation of West-Transdanubian region from the change of regime to the present day**

During the 1990s, with the change of regime, there was a significant change in the life of the counties that represented the region. The most serious economic crisis in its history, for example, was Vas County. Outputs declined by 26 % in 1 year, and most of the large plants previously installed here were suddenly confronted by the fact that they were unable to compete with Western competitors on a purely market basis. Their previously protected position became unprotected in an instant. At that time, there were several ways and forms of transformation and privatisation. One group of companies succeeded in transforming, privatisation, falling into another larger group and providing new business operators (mainly small and medium-sized enterprises) with the use of the sites, and finally some that ceased immediately – even at the beginning of privatisation – either gradually (protracted in time) or after various ownership and organisational experiments.

This period can be considered as a period of economic repositioning in the region. The first large international companies arrive, the former locally producing large plants will be privatised. Following the change of regime in the 1990s, strong investment activities in the region began in the late 20th century, with strong foreign investors established, which had already been helped by this favourable geographical location. The period is well characterised by an annual growth rate of nearly 50 % in Vas County in 1995. As a result of the development

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<sup>36</sup>[Http://www.csuk.hu/helytortenet/szentgotthardi-kaszagyar-tortenete](http://www.csuk.hu/helytortenet/szentgotthardi-kaszagyar-tortenete)

<sup>37</sup>[Http://sarvarvar.hu/sarvar-50-visszatekinto-az-elmult-50-evre-2018-07-24](http://sarvarvar.hu/sarvar-50-visszatekinto-az-elmult-50-evre-2018-07-24)

of the three counties above the national average the West-Transdanubian region became the second most developed region of the country after the Central Hungary region including the capital city by the beginning of the 2000s.

The West-Transdanubian region has become one of the preferred target areas of foreign investors within the country, with a large part of the investment in industry, including the subsector of machinery and metal processing products. This also had a significant impact on the distribution of the number of employees across economic sectors. Three quarters of investment in the region has clearly migrated to industry. At the same time, the presence of foreign capital was very differentiated in the region, focusing mainly on the northern and central areas. Thus, the dynamic economic change was not the same within the region, and there is a further increase in existing territorial differences (e.g. between the more developed Győr-Moson-Sopron and the less developed Zala).

In the 2000s the automotive industry and electronics in Győr-Moson-Sopron and Vas counties were emphasised. Audi's factory started in Győr, the Opel factory in Szentgotthárd, the BPW Rába was launched, Philips' monitor production started in Szombathely. The Flextronics appeared in several counties.

Interestingly, for example, the textile industry in Győr has completely disappeared, and the food companies in Zalaegerszeg have also been disappeared.

It is a single figure showing the development processes of the three counties. The decline in the number of industrial employments in Zala county is offset by the dynamic development of Vas County in the region. We see no change in Győr-Moson-Sopron County during the ten years examined.

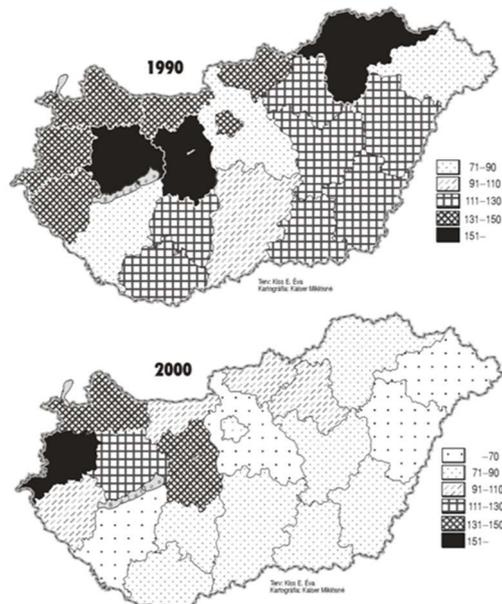


Figure14: Change in the number of industrial employments per county per 1000 inhabitants, 1990-2000<sup>38</sup>

38 Spatial structural changes of the Hungarian industry, Éva Kiss, Geographical Information, 2002. Li. Grade 3-4 booklet, pp.347-364  
[http://www.mtafki.hu/konyvtar/kiadv/FE2002/FE20023-4\\_347-364.pdf](http://www.mtafki.hu/konyvtar/kiadv/FE2002/FE20023-4_347-364.pdf)

In addition to industry, among the services, transport, storage, post office, telecommunications, trade, repair, and education, as well as health and social care, are greater importance due to the central role of the three county seats. There is still a significant number of people working in the public administration, most of them are in the towns with county rights.

The labour markets of Győr and Szombathely are somewhat different from Zalaegerszeg. The capital investments mainly served industrial purposes in the former two cities, which were typically devoted to automotive, mechanical, and electrical engineering. As a result, the largest employers are also active in these sectors of the economy.

However, the leading role of the county seats in economic restructuring and dynamic development is characteristic in all the three counties, clearly due to higher than average levels of education and qualifications, a stable, relatively large labour market, a more favourable infrastructure and a central role in the region.

	<b>Maximum level</b>	<b>Maximum time</b>
<i>Vas County</i>	147.4	1995
<i>Győr-Moson Sopron County</i>	163.9	1998
<i>Zala County</i>	124.0	2000

Table4: Time series of industrial production chain indices – 1965-2003<sup>39</sup>

Following the change of regime, the opening of the borders resulted in a further positive turn. Tourism has also improved. Tourism in the region, and thus the number of businesses operating in the sector, increased mainly in the vicinity of Lake Balaton and in well-known spas. This indicates that despite the historical and cultural offer, guests are not attracted primarily by larger cities, but by one of the most popular bathing areas in the region, or the diverse environmental beauties of Lake Balaton and the region. In recent decades, several hypermarkets and large shopping malls have settled in West-Transdanubian cities, which have transformed the structure of the commercial sector.

The importance of agriculture and the food industry should also be mentioned in the structural transformation. Their share of the region has declined, but it is still an important and indispensable part of the economy, especially for smaller settlements. The role of former cooperatives has been taken over by a large number of private businesses.

However, the structural change and the appearance of foreign companies have also brought the continuous impact of changes in international economic situations also at local level. The development of a recession has also affected the operation of local companies. The lesson was clear – the dynamic growth dictated by large companies proved to be as fragile as it had

39 J. Nemes Nagy (2004):Komárom again in the lead – county industrial growth paths, 1965-2003.In:Regional and municipal growth paths in Hungary.Regional Studies Studies.9. pp.59 TO 73.

previously been during the fragility of businesses established in the planning economy. The relative level of development at the turn of the millennium was declining by the middle of the decade.

There is a significant change in the economy of the region because of Hungary becoming a member of the EU. In the 2010s, it is characterised by the growth of previous large investments and the absorption of EU funds. Thanks to continuous and steady growth – driven by the growing production of multinationals.

At this time, the support system at regional level played an important role. Within the region Vas County received 32 billion HUF non-refundable grants directly to the development of the economy, for nearly 1300 development projects.<sup>40</sup> This increased performance in absolute terms and helped catch up with other European regions, but the result is not so outstanding compared to other counties. The amount of grants in Zala County was much lower than in Vas County, and it was spent on a much higher number of projects – more than 700 projects in Zala county. Győr-Moson-Sopron County shows outstanding value in both indicators in the region, with more than twice as many projects running here than in Vas County.

	Vas County	Zala County	Győr-Moson-Sopron County	National
<i>Non-refundable (billion HUF)</i>	32	22	55	910
<i>Refundable (billion HUF)</i>	3	13	14	273
<i>Number of projects</i>	1287	2177	2668	62136

Table5: Total value of economic development projects drawn from European Union sources

Today, it can be concluded that the relative level of development in the region has not changed. However, within the region and nationally, Győr-Moson-Sopron County is clearly an industrial region. This is clearly due to the infrastructure built, the presence of local skilled workers and the proximity of the potential outlet, the high level of urbanisation. The continuous development of Vas county can also be seen, but in the case of Zala County, its small village structure significantly slows the catching up to the other two counties of the region.

However, for the future, it is generally accepted that the transformation of the automotive industry, the transformation of production modes can pose a high risk, and it is worth preparing in advance for possible negative scenarios based on past experiences. The main trends are digitalisation – the introduction of new production methods (e.g. 3D printing, real-time sensor analysis, digital plant clones) – change of ownership structures – instead of renting, community transport – autonomous transport, artificial intelligence, robotization. In addition, increasing environmental awareness, persistent demographic challenges in the labour market and changes in education system expectations and the challenges of the South German economy are the main influencing aspects.

<sup>40</sup>[https://www.palyazat.gov.hu/magyarorszagi\\_europai\\_unios\\_forrasok\\_elemezese](https://www.palyazat.gov.hu/magyarorszagi_europai_unios_forrasok_elemezese)

## KEY POLICY PLAYERS IN THE WEST-TRANSDANUBIAN REGION

### Stakeholders at national level

#### Parliament

Due to strong centralised management, national actors are unavoidable when examining at regional and county level. The constitutional system of Hungary is a parliamentary democracy, the main legislative body of which is the Parliament. Its main tasks are legislative and executive control. The National Assembly is composed of representatives elected by the citizens for four years.

#### Government

The government is the supreme executive authority, the chief administrator of the administration. The Government is the general body of the executive authority, whose duties and powers extend to all that is not expressly referred to in the Fundamental Law or by law. The Hungarian government is composed of the Prime Minister and Ministers. The Government is headed by the Prime Minister. The Prime Minister shall be elected by the members of the National Assembly on a proposal from the President of the Republic. The Prime Minister shall appoint one or more Deputy Prime Ministers by decree.

#### Ministries

The Government is led by the Prime Minister, whose main task is to determine the general direction of the government's policy, and the ministers are responsible for the management of specific areas of expertise, which define the tasks and responsibilities of the ministries. In the current government, we distinguish ministries of agriculture, internal- and foreign affairs, finance, defence, justice, innovation and technology and human resources.<sup>41</sup>

### Stakeholders at county level

#### Government Offices

In the system, the emphasis is on the county level, so centrally controlled county administrative actors are government offices. It is their job to coordinate and facilitate the territorial implementation of government tasks, in accordance with the law and the government's decisions. They exercise supervision of local authorities, contribute to shaping sectoral, policy strategies, territorial implementation of decisions, conveying the experience of the county's stakeholders to decision-makers, and providing public services to the public and the entrepreneurial sector. Government offices are headed by a government commissioner in all counties. According to the three counties of West-Transdanubian region,

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<sup>41</sup><https://www.kormany.hu/hu>

the government offices are the Győr-Moson-Sopron County Government Office, Vas County Government Office and Zala County Government Office.<sup>42</sup>

### County Municipalities – General Assemblies

The functions and powers of the county councils shall be performed by the General Assembly. The Győr-Moson-Sopron County, Vas County and Zala County General Assembly are located in West-Transdanubian region. The tasks of the county self-government include, among other things, the task of spatial development and spatial planning, which includes the preparation of the spatial planning plan, the coordination of the mandatory tasks with the county economic development and employment policy concepts, the coordination of the development activities of settlements, cooperation with the county-legal city and local governments in the coordination of district plans and cooperation with the county's economic actors. From now on, it provides school care, the collection, preservation of historical monuments, county library services, the protection of the built and natural environment, county tourism objectives, the coordination of regional employment tasks and vocational training. In addition, county self-governments are free to assume tasks, which no longer fall within the competence of an organ or do not harm the interests of the people living in the county.<sup>43</sup>

### **Stakeholders at urban level**

#### Local Governments – Cities with county rights

5 cities with county rights are in the West-Transdanubian region (Győr, Sopron, Szombathely, Zalaegerszeg, Nagykanizsa) and these are local governments. Their mandatory tasks include the provision of public services to the public, such as maintaining roads, organising public transport, performing health, social and public education tasks, as well as exercising public authority, such as issuing permits and ensuring the necessary personal, organisational and material conditions for their implementation.



Figre15: The cities with county rights of West-Transdanubian region<sup>44</sup>

<sup>42</sup>[Http://www.kormanyhivatal.hu/hu](http://www.kormanyhivatal.hu/hu)

<sup>43</sup>[Https://regi.kozigazgatas.magyarorszag.hu/intezmenyek/450132/450154/megyonk.html#paragr1](https://regi.kozigazgatas.magyarorszag.hu/intezmenyek/450132/450154/megyonk.html#paragr1)

<sup>44</sup>[Http://www.gyor.hu/](http://www.gyor.hu/)

## Other key stakeholders in the region

### Chambers of Commerce and Industry

The Chambers of Commerce and Industry of Vas County, Győr-Moson-Sopron County, Zala County, Sopron and Nagykanizsa aim to strengthen and increase the competitiveness of West-Transdanubian enterprises, especially SMEs, and to promote their access to international markets. Chambers provide economic analyses and suggestions for the development of governmental and municipal legislation and institutions. An important part of this is that it is the responsibility of the chambers to stand up for the rights of undertakings and the freedom of competition and to amend the measures restricting the market economy. Chambers participate in professional qualifications, the development and operation of dual vocational training. All areas of the Chamber provide basic innovation advice on the possibilities of domestic and EU applications, venture capital, start-up financing, cost-effectiveness and bank financing.<sup>45 46 47</sup>

### County business development centres

The Regional Enterprise Development Foundation of Vas County and Szombathely City provides office renting and microcredit services for the SMEs<sup>48</sup>. The Zala County Enterprise Development Foundation operates in the fields of micro-credit, tendering, financial, business start-up, HR consultancy<sup>49</sup>, and the Kisalföld Business Development Foundation, which covers the region of Győr-Moson-Sopron county in the areas of micro-credit, financial, business start-up, HR consultancy.<sup>50</sup>

### LEADER LAGs at subregion level

LEADER, also known as the community initiative for the development of the rural economy, gives communities effective decision-making powers by linking local administrations, civilians and entrepreneurs. Their aim is to stop the further break down of ageing and impoverishing rural areas by implementing regional development strategies. The LAG (local action group) is responsible for implementing the local development strategy, making decisions on the planning and use of resources<sup>51</sup>

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45 <https://gymsmkik.hu/kezdolap>

46 <https://www.vmkik.hu/hu/>

47 <http://www.zmkik.hu/>

48 <http://www.vashvk.hu/>

49 <https://zmva.hu/enterprise-europe-network/enterprise-europe-network-koveti-program/>

50 [http://www.kva.hu/index.php?tid=6693111588068752&q\\_s\\_tr=f106&menuitem=1](http://www.kva.hu/index.php?tid=6693111588068752&q_s_tr=f106&menuitem=1)

51 <http://www.terport.hu/videkfejlesztes/leader>



Figure16: Subregions of Hungary<sup>52</sup>

#### West-Transdanubian LEADERS:

- Alpokalja-Fertő Leader Association
- Göcsej – Zala Leader Association
- Hévíz-Balaton-Zalai Hillbacks LEADER Association
- Innovative South Zala Rural Development Association
- Pearls of Central Zala Rural Development Public Benefit Association
- Association for Rural Development Down and Area
- Guard Without Borders Association
- Pannon Regional Development Association
- Pannónia Kincse LEADER Association
- Rábaköz Rural Development Association
- Sághegy Leader Association
- Szigetköz- Mosoni Plain LEADER Association
- UTIRO Leader Association
- Vasi Hegyhát-Rábamente Public Used Tourism Association
- Zala Termálvölgye Association
- Zala Green Heart Rural Development Association

#### Universities operating in the region

Széchenyi István University performs its educational activities in the centre of the West-Transdanubian region in Győr, which has been the centre of secular and ecclesiastical education for three centuries. Currently, education takes place in technical, agricultural, legal, economic, IT, health, arts, pedagogical, social, sports and humanities, with a study camp of about 17 thousand students. As a result of recent developments at the university, scientific and research programmes have been launched, emphasis has been placed on the development of R&D&I potential, and the key objective of economic actors was to support scientific and R&D in the interest of enhancing corporate and regional competitiveness and integration with domestic and international knowledge networks.<sup>53</sup>

<sup>52</sup>[Http://www.terport.hu/kistersegek/magyarorszag-kistersegei](http://www.terport.hu/kistersegek/magyarorszag-kistersegei)

<sup>53</sup>[Https://uni.sze.hu/kezdolap](https://uni.sze.hu/kezdolap)

At the University of Sopron, education takes place in the fields of economics, pedagogy, engineering, wood sciences and forest engineering. It is a “green university” unique in its spirituality. They place great emphasis on environmental awareness education in their training courses and achieve outstanding results in their training and research activities in the forestry and timber industry.<sup>54</sup>

The ELTE Savaria University Centre in Szombathely was formerly an independent university, and from February 2017 it has been joined to the ELTE to teaching traditionally in pedagogy, but nowadays also in technical, IT, sports, and recreational fields.<sup>55</sup>

The University of Pécs, Faculty of Health Sciences together with the local educational hospital and social institutions, provides the training of nurses, nurses, dieticians, paramedics and physiotherapists, midwives, infant and young children education and social workers.<sup>56</sup>

The University of Pannonia has more than 9 thousand students, and five faculties in engineering, IT, economics, modern philology and social sciences, four campuses, two of which operate in West-Transdanubian region, in Nagykanizsa and Keszthely.<sup>57 58 59 60 61</sup>

Education takes place at the János Brenner College of Theology in Győr and Szombathely. Since 1998, the institution has been conducting a 6-year-old university-level course, with the successful completion of which the students of theology, i.e. the students of the seminary and their university degrees, receive a degree in ecclesiastical science.<sup>62</sup>

### Clusters in the region

There are 24 cluster organisations in the region of West-Transdanubia, of which two are the Pannon Wood and Furniture Industry Cluster and the Professio Metal Industry and Vocational Cluster accredited innovation clusters.<sup>63</sup>

The Professio Metal Industry and Vocational Cluster was founded in 2008, and its member companies were typically SMEs working in metalworking. Products include mechanical, automotive and railway components, from special, high-precision individual parts to mid-series to high-series production. The common goal for which they have been established and still operates is to restore the honour of the cutting profession, and to ensure the proper

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54[Http://uni-sopron.hu/kezdolap](http://uni-sopron.hu/kezdolap)

55[Https://sek.elte.hu/kozpont](https://sek.elte.hu/kozpont)

56[Http://etk.pte.hu/](http://etk.pte.hu/)

57[Http://www.georgikon.hu](http://www.georgikon.hu)

58[Http://www.mk.uni-pannon.hu](http://www.mk.uni-pannon.hu)

59[Http://www.mik.uni-pannon.hu](http://www.mik.uni-pannon.hu)

60[Http://www.gtk.uni-pannon.hu](http://www.gtk.uni-pannon.hu)

61[Http://www.mftk.uni-pannon.hu](http://www.mftk.uni-pannon.hu)

62[Http://bjhf.hu/](http://bjhf.hu/)

63[Http://klaszterfejlesztés.hu/aik.php](http://klaszterfejlesztés.hu/aik.php)

quality and quantity of specialists. There are now 23 members of the cluster, including companies, educational institutions and chambers.<sup>64</sup>

The 44 member companies of the Pannon Wood and Furniture Industry Cluster aim to promote wood raw materials and to promote the advantages of wood products. The West-Transdanubian Region is a particularly important area in this respect, because this is where one fifth of Hungary's forest stock is located, and there is an extremely large number of forestry, wood, and furniture businesses. This cooperation was created to enable internationally competitive products to be marketed in composition, quality and price in the furniture industry and the building carpentry industry.<sup>65</sup>

### NGOs operating in the region

In all three counties of the West-Transdanubian region, many voluntary civil society organisations have been set up to solve a social problem, to assert their interests or to achieve common goals. These NGOs operate in all areas, including sports activities, environmental protection, leisure time (dance and music groupings), alumni and retirement organisations, traditions and services.<sup>66 67 68</sup>

### Major regional actors which have been ceased to exist

In 1999, the West-Transdanubian Regional Development Agency began operating with its headquarters in Sopron. It was founded by the West-Transdanubian Regional Development Council, who was also the owner of the agency until 2011, then under the direction of the Ministry of National Development.

As long as it worked, the institution was responsible for carrying out tasks such as continuous contacts with the administrative organisations in the region in order to identify development needs and local resources, implementation and organisation of programmes, participation in the financing tasks of the programmes, the implementation of programmes, keeping up-to-date records of financial use, international engagement, active applications, continuous search for new cooperation opportunities, fulfilling regionally coordinating and supporting roles to complete international cooperation, participation in the implementation of regional development programmes on the basis of a special agreement.<sup>69</sup>

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64 [Http://professio-gyor.hu/64](http://professio-gyor.hu/64)

65 [Https://panfa.hu/](https://panfa.hu/)

66 [Https://m.szombathely.hu/intezmenyek/civil-szervezetek/p2/](https://m.szombathely.hu/intezmenyek/civil-szervezetek/p2/)

67 [Http://onkormanyzat.gyor.hu/cikk/civil\\_szervezetek.html](http://onkormanyzat.gyor.hu/cikk/civil_szervezetek.html)

68 [Http://www.helyicivil.hu/h/zalaegerszeg-egyesulet-alapitvany](http://www.helyicivil.hu/h/zalaegerszeg-egyesulet-alapitvany)

69 [Http://www.ezerarcuvasmegye.hu/hu/partnerek/nyugat-dunantuli-regionalis-fejlesztési-ugynökség-kozhásznu-nonprofit-kft.html](http://www.ezerarcuvasmegye.hu/hu/partnerek/nyugat-dunantuli-regionalis-fejlesztési-ugynökség-kozhásznu-nonprofit-kft.html)

## ECONOMIC RESTRUCTURING – CASE STUDY

The economy of Szombathely was dominated by light industry until the 1990s. Tens of thousands of people worked at Savaria later Marc Shoe Factory, Latex, Styl Clothing Factory, and other factories like them. When these branches of the light industry migrated to the east, other companies with low-skilled workers need, mainly electronics companies, were appeared to absorb the workforce released from the light industry.

Some of them were giants, such as Philips, who employed thousands of people, and then moved on. Others, such as Jabil, anchored, and some who over the years had transformed their activities towards more skilled workflows (Delphi/Aptive). At the same time, the automotive companies also appeared. In Vas County, the most spectacular was Opel's settlement in Szentgotthárd, but Szombathely did not miss the process. BPW started at the site of the former Rába, in the second half of the nineties the LUK built a plant and the company has continued to grow since then, and the automotive suppliers of electronic giants (Jabil/Ivy, Delphi/Aptív, Epcos/TDK) have also become significant.<sup>70</sup>

In this chapter we focus on the processes of the electronics industry in Vas County, and in particular we are looking at the transformation of the above-mentioned economic structure through the transformation of **Remix Rádiótechnikai Kft.**

In Hungary, Remix has been a manufacturer of radio (electronic) components since the 1930s. The Hungarian company was founded by Miklós Fodor in 1932. Until 1937, the company was part of Tungsram's capital interests, then transferred to 100 % of the property of Miklós Fodor and his family. At that time he took the name of Remix Radio Technology Ltd. The Remix produced layer and wire resistance, paper capacitors, layer and wire potencymeters, and radio frequency filters, and exported a significant part of its production. In the 1940s, the engineer of the Remix was Dénes Gábor, the later Nobel Prize-winning inventor of holography. After nationalisation, the development and production of a number of military industrial components in accordance with the design instructions of the 1950s and 1960s began to produce from the second half of the 1960s, including modern plastic dielectric capacitors, metal layer resistance, potentiometers (such as radio equipment volume regulator) and integrated component modules.



Picture2: The building of REMIX in Szombathely

<sup>70</sup><https://autopro.hu/elemzesek/szombathely-es-a-jarmuipar/125495>

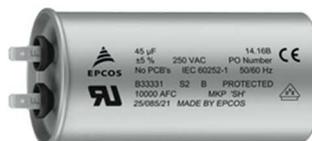
At the end of the 1950s, according to a government decision, the plant installed significant production capacity in Szombathely, the plant established there. Initially, layers and wire resistors were produced here, and then also various capacitors. Since the mid-1970s, significant Western cutting-edge technologies have been established in Szombathely with financial support from the then OMF (National Technical Development Committee): plastic foil capacitor produced by automatic production lines, different layers of resistance production lines and others. Most of these were licensed from Siemens. Meanwhile, engineers of the factory's development and technologists have achieved significant results in the production of vacuum technology and chemical (CrNiP) special thin metal layers.



Picture3: Products of REMIX

Among other things, the evaporation of aluminium on paper and plastic foil, Crni and CrNiC's high stability resistance layers on ceramic and glass substrates were solved in mass production. In the 1980s, Remix employed around 3000 people nationwide, producing almost 400 million electronic components per year, worth about 1500 million forints, exclusively for domestic use. It was able to meet about 90 % of the needs of the domestic appliance industry.

After the change of regime in the phase of privatisation, the legal successor Recomix Electronics Rt was registered in 1993, but its operation was thriving. Due to the collapse of the electronics industry and the lack of orders, the company's production declined so much that the liquidation process started in 1994. In 1996, Siemens Matsushita became a 100 % owner of the former Remix's successor.<sup>71</sup> Then in 2006, Siemens Matsushita sold its stake to Epcos, who is involved in the production and development of passive electronic components. Their range of products consists of chip-size surface-mounted inductivity, large network jamming filters and aluminium electrolyte capacitors. Their products are of great importance in all areas of electronic applications, especially in the automotive industry and in the renewable energy industry.



Picture4: Products of EPCOS

<sup>71</sup>[https://www.nyugat.hu/cikk/remix\\_gyar\\_szombathely\\_tortenet\\_epcos](https://www.nyugat.hu/cikk/remix_gyar_szombathely_tortenet_epcos)

The transponder roll and vibration-proof aluminium electrolyte capacitor developed for the automotive industry at Szombathely has won the 2008 Innovation Award of the Hungarian Chamber of Commerce and Industry.<sup>72</sup>



Picture5: Products of EPCOS

The company currently develops and manufactures electronic components for “smart car applications” in Szombathely, such as full keyless opening and launching, automatic driving light control, optical parking support systems, lane departure warning systems, and various board recognitions.<sup>73</sup>

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<sup>72</sup>[Http://www.paktum.hu/palyaorientacio/vallalatok\\_bemutakozasa/epcos\\_elektronikai\\_alkatresz\\_kft](http://www.paktum.hu/palyaorientacio/vallalatok_bemutakozasa/epcos_elektronikai_alkatresz_kft)  
<sup>73</sup>[Https://hu.tdk-electronics.tdk.com/vallalatrol/#bemutakozas](https://hu.tdk-electronics.tdk.com/vallalatrol/#bemutakozas)

## INDUSTRY IN TRANSITION - CASE STUDY

In this chapter, we focus on an industry in transition, for which our region would like to experience industrial support. This chapter will be the starting point for the learning process of the project. We will remain in the electronics industry, looking at the sensitivity of the closure of a multinational company and the mass redundancy of workers to the economy of the region and to the sector.

### BACKGROUND TO STRUCTURAL CHANGE

At the end of March 2007, **Jabil Circuit Hungary** announced that it would cease production at the Szombathely's plant. Thus, more than a thousand people were fired. There has never been such a redundancy in Szombathely. The electronic components manufacturer Jabil was unable to maintain its Szombathely plant due to its declining orders, so it moved its activities to Tiszaújváros as to the only Hungarian site. The company closed at the end of August. This puts 1070 employees out on the street.

Jabil Circuit Inc. was founded in Detroit in 1966. The company initially worked as automotive supplier and began to expand its range of activities in the 1970s. The company has more than 100 factories in 28 countries, with over 180 thousand employees. Jabil is the world's leading supplier and customer base for consumer electronics, defence and air industries, automotive, business and payment systems, computer and data storage systems, industrial solutions, medical and equipment manufacturing, computing network elements, telecommunications, "clean" environmentally conscious technology. The U.S. company Jabil Circuit Hungary Ltd. was opened his factory in Tiszaújváros in 2000, and in 2003 in Szombathely, where electronic applets and printed circuits were manufactured. Then in 2005, also in Szombathely, a greenfield project opened in Szombathely, which provides extensive product support services in the field of "high-tech" electronics in the after-sales market.

There wasn't any similar mass dismissal in Szombathely earlier like Jabil Circuit's planned mass dismissal. Four years ago, in 2003, Philips took production (monitor production) from the county seat to Székesfehérvár. Most of the seven hundred fired workers were absorbed by the Jabil.<sup>74</sup>

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<sup>74</sup>[Http://www.vascounty.com/vasi-mozaik/184120](http://www.vascounty.com/vasi-mozaik/184120)



Picture6: Building of Jabil Circuit

The company stressed that these steps were solely justified by business constraints. Mirella Kimpen, the company's communications director, stated that customer needs were constantly fluctuating, and business needs did not justify Jabil's maintenance of two manufacturing sites in Hungary.

There were 2 Jabil factories in the city: Jabil Circuit Hungary and Jabil Global Services. While the former is doing manufacturing work with low-skilled workers, the latter is engaged in high-quality service, and Szombathely is its European headquarters. The concentration of service activity in Szombathely served to strengthen the situation at that time. The relocation of service activities was not considered and the relocation concerned only the production activity.<sup>75</sup>

The mayor of Szombathely heard the news from the press first, and the company's executives did not consult him in advance. The Szombathely branch of the West-Transdanubian Regional Labour Centre did not receive prior information on the planned redundancies before the end of March 2007. According to the Hungarian regulations, in the case of redundancies of more than fifty persons, one month before the termination, the Local Labour Office must be notified to the Office. As a result, crisis management became even more acute and required a rapid response.

<sup>75</sup><https://www.vaol.hu/belfold/egy-uzem-bezar-1280304>

## INDUSTRY SITUATION

Most of Jabil's employees were blue-collar workers, but they also employed many white-collar workers. Half of the workers, about 500 people from Szombathely and only about eighty Vas County, worked in the factory. This highlights the fact that redundancies mainly affected the city of Szombathely and Vas County. Thus, the solution cannot be dealt with separately for each actor, it requires cooperation.

Although the profession of dismissed people was popular, it seemed unlikely that such a large workforce would soon be absorbed by the labour market. Following the notification, several companies indicated that they would employ these peoples. Some of them employed at Jabil Global Services in Szombathely, as well as in Delphi and Epcos, the other two similar factories in the city.

*"Hundreds of dismissed people have registered, directly and indirectly, operators, intellectual and physical workers. We were able to send them to similar workspaces, such as Delphi, Epcos."*

*Izabella Katona- managing director, Humán Matrix Kft.  
Labor mediator in Szombathely*

However, a number of employees active 10-12 years ago, who did not have the necessary job-seeking experience, were also on the street from Phillips' successor. For them, the company organised a supportive dismissal program, in which the former Jabil employees were able to familiarise with the latest trends and opportunities.<sup>76</sup>

The Szombathely Electronic Workers' Union and the Works Council agreed daily with the management so that the employees could leave the company on fair terms and set up a permanent legal assistance service.

On the one hand, the West-Transdanubian Regional Labour Centre in Szombathely provided legal advice and information on the procedures to be followed becoming unemployed, and what options are available. They held an outsourced job fair together with Jabil and contacted several companies who could employ the free labour force.

Szombathely City with county rights has initiated the adaptation of training courses and trainings to local employers' needs, so that those affected will find work with appropriate skills or qualifications. To mitigate the social consequences of the redundancies, the city also increased its aid scheme, while after the plant was closed, it lost two to three hundred million forints a year from business tax. They also initiated accelerating public infrastructure development and transport investments, which could provide jobs for many.

<sup>76</sup>[Http://www.tvszombathely.hu/hirek/115035](http://www.tvszombathely.hu/hirek/115035)

## TRANSITION

Jabil Hungary Ltd's factory in Szombathely, Jabil Global Services, which provides extensive product support services in the field of high-tech electronics in the aftermarket, has shifted the economic structure of the region from production orientation to a higher value-added service.

In 2013, with the construction of another 8600 m<sup>2</sup> hall, the company concentrated its aftermarket services sector in Szombathely, creating 450 new jobs in the city.<sup>77</sup> In 2012, Jabil employed 1100 people in Szombathely, making it one of the largest employers in the region, supported by the fact that he was one of the five largest taxpayers in Szombathely. The 5 largest tax-paying companies accounted for 45 % of the city's business tax<sup>78</sup>, which is a serious warning signal for the economic dependence of the region, especially the city of Szombathely. The situation has not changed since then, and today the stability of the city/region's economy depends on the small number of multinationals.



Picture7: Building of Jabil Global Services

In 2014, due to a change of ownership, the name Jabil changed to **iQor Global Services Hungary Ltd.**<sup>79</sup> Jabil Aftermarket Services became the property of iQor by the acquisition of its departments in Szombathely and Pécs. The acquisition was accompanied by a division change and a new business model, which at the time was highly innovative in the international electronics industry. IQor connected the Call-Centre service on phone with the actual repair sites and thus thought of a business model where they could provide not only repair services, but also full customer contact activities to their customers. In this way, the two activities – which are usually outsourced by large companies to separate companies – were held in one hand by iQor in order to provide the full service package to its customers faster, at a higher standard and at a lower cost.<sup>80</sup>

<sup>77</sup>[https://www.nyugat.hu/cikk/jabil\\_szombathely\\_csarnok\\_atadas\\_hende\\_szijarto](https://www.nyugat.hu/cikk/jabil_szombathely_csarnok_atadas_hende_szijarto)

<sup>78</sup><http://www.friss.hu/kozeletrovat/telephelyet-epit-letszamoto-bovit-a-jabil-szombathelyen>

<sup>79</sup>[https://www.nyugat.hu/cikk/jabil\\_iqor\\_szombathely\\_munkahelyek](https://www.nyugat.hu/cikk/jabil_iqor_szombathely_munkahelyek)

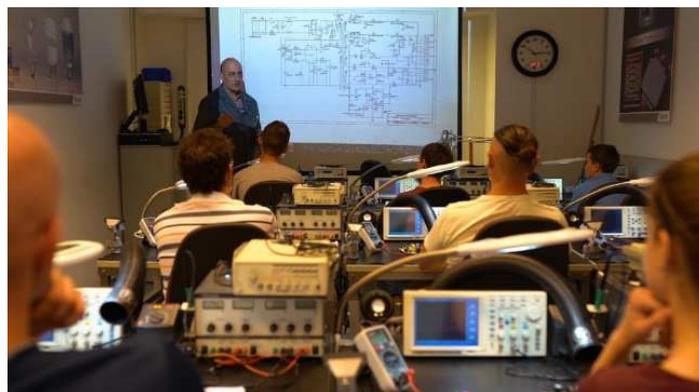
<sup>80</sup><https://www.vmkik.hu/hu/gazdasagfejlesztes/cikkek/az-iqor-mostantol-ivy-110487>



Picture:8: Product of iQor

iQor Global Services Hungary Ltd. provides professional product support services in the field of “high-tech” electronics to its partners in the aftermarket based on the more than 10 years of experience, results and capabilities of the local organisation. The company serves industrial and consumer operators in the mobile and telecommunications sectors, as well as in the IT and network sectors by carrying out a wide range of services linked to the products and beyond warranty time.<sup>81</sup>

As result of a multi-annual cooperation iQor company in Szombathely developed an electronics lab at Savaria Secondary School in June 2016. The electronics profession is becoming increasingly popular in the institution which is proven by the successful competition results. The team of excellent students won the prestigious second place in a national professional competition in 2016, built and programmed by robots themselves. The electronics profession is one of the most successful sectors of our time, but there is a lack of specialists.<sup>82</sup> This is why it is extremely important that the company also supports the work of the Savaria School through technical development. The company was also involved in dual mechanical engineering training at the ELTE Faculty of Informatics in Szombathely.



Picture9: Training of electricians at Savaria Secondary School

<sup>81</sup><https://pannonjmk.hu/hu/partnerek/iqor-global-services-hungary-kft-.html?page=2>

<sup>82</sup><https://www.frisss.hu/hirek/laborkeresztelo-iqor-modra>

Since Autumn of 2019, iQor Global Services Hungary offers technology repair services called **Ivy Technology AMS Hungary** with a renewed name and image. The new owner, Staple Street Capital, strengthens the company as a financial investor and assists operational management in building new and stronger partnerships. The change of name is noticeable, but is not accompanied by radical company-level transformations. Ivy Technology will continue to operate steadily in the future.



Picture10: Building of Ivy Technology in Szombathely

It became clear to the management that the previous business model failed and did not bring the desired business breakthrough. Given that iQor's core business was not the repair of electronics, but the operation of Call-Centers, it was strategically decided that the two service activities would be unbundled again in order to provide the highest level of service to the market. As a result of this process, the iQor AMS division was 100 % owned by Staple Street Capital LLC and Ivy Technology was born.

Ivy Technology is presented in 10 countries with production capacity and maintains commercial partner offices in another 14 countries. Ivy has around 3000 employees worldwide and more than USD 200 million in annual turnover. There are 790 employees at the Szombathely site and a net turnover of EUR 40 million in 2018.

The management of Ivy Technology aims to develop a flat management structure that meets the very rapidly changing business requirements of the 21st century. Flat organisations are more flexible and able to adapt to change, and faster communication leads to faster decision-making in everyday business. Ivy Technology's long-term vision for growth is based on innovation and continuous investment in modern technologies. The plant in Szombathely, as the second largest branch of the company group, is expected to play an important role in the realisation of this global development, which will create a stable business presence in the region for the future.

## CONCLUSIONS – GOALS FOR POLICY LEARNING

This study is intended to examine the transformation of the economic sectors of the Vas County, resulting in:

1. In terms of the future, it is **generally accepted** that the transformation of the automotive industry, the transformation of production modes can pose a high risk, and based on past experience it is worth preparing in advance for possible negative scenarios as well. The main trends are digitalisation – the introduction of new production methods (e.g. 3D printing, real-time sensor analysis, digital twinning) – change of ownership structures – instead of renting, community transport – autonomous transport, artificial intelligence, robotisation. In addition, increasing environmental awareness, persistent demographic challenges in the labour market and changes in education system expectations and the challenges of the South German economy are the main influencing aspects.
2. In the economic structure of Vas County, the automotive and electronics industry, including its producer and manufacturing function, is emphasised, although there is some shift towards higher added-value services, as we have seen in the case of Ivy Technology. However, conscious development directions and specific sectoral orientation are not typical. The economy in the region needs to be built on a more sustainable roadmap, as **dependence on one industry** is currently putting the whole region at risk. By making digitisation opportunities operational, new values can be created and jobs in existing (automotive) and new (health-related) industries will be created with higher solvency.
3. **Multinational companies** in the region are also the largest employers. These forms of enterprises depend less on local factors, but rather on central decision-making structures. The actors in the region (municipalities, suppliers, educational institutions, etc.) can only be victims and maximum managers of possible negative decisions. In addition to labour market exposure, they also generate income dependence on local municipalities, e.g. cc50 % of Szombathely's business tax is generated by international companies who are the largest employers.
4. The potential for **cooperation** between policy actors in the region has considerable potential for economic development. The potential of the regional university teaching hospital of Vas County and the University of Pécs, Faculty of Health Sciences in Szombathely is currently untapped, they are not integrally linked to economic development strategies. In the field of health, these actors can become a solid pillar of reorientation of the local economy, leading to the attractiveness of healthcare-related industries with a local research background.

5. Among the cooperation initiatives, **Forum Digital** aims to demonstrate the commitment of the signatories to make Vas County and Szombathely a winner of the digitisation transformation process. The **Digital Innovation Centre** established by PBN as a one-stop shop service organisation contributes to increasing competitiveness of business processes, products and services of enterprises and the wider ecosystem (citizens, students, other organisations) through offering digitalisation technologies. At the same time, it provides access to state-of-the-art production technology through its own equipment, providing a training, developing and testing environment.

## COVID-19 IMPACT

The pandemic of 2020 had a serious economic impact on the West-Transdanubian region, requiring a clear response from policy makers. The COVID-19 virus epidemic has resulted in a sharp decline of economic performance in most of the countries worldwide. The large multinationals closed down their facilities, while the local businesses had to freeze their operation, leaving them in a situation with limited or no reserves.

In order to restart the economy, also on local level, novel approach is essential. The attitude changed: empathy, solidarity will play a stronger role than before.

The sudden economic crisis required a **short-term** response, to which the local government launched the **Szombathely ReStart Program** in April 2020 focusing on the future and the restart of the city's economic life. This local program was developed to reinforce adaptation to the post-covid era and maintaining competitiveness for the ecosystem by respecting social inclusions.



Multinational companies were also affected by COVID-19, they were reducing production or even closing down, service sector partially closed and further damaged by large employer shutdown.

These facts led to launch local discussions to elaborate a supporting program helping to restart the local economy. Key focus areas were defined by the municipality together with large employers and representatives of local businesses. Many of the local business actors e.g. Chamber of Commerce and Industry of Vas County, Centre of Enterprises, representatives of multinationals, Szombathely Market Hall, municipal institutions, business entities and public utility companies, local universities were taking part in the conciliation process coordinated by the City.

During the consultations, the following key intervention areas were defined:

1. Social assistance benefits – financial subsidy for the dismissed labor force due to Covid-19, suspension of the collection of rental and public utility debts during the pandemic situation
2. Three pillars of ReStart Program:
  - a. **Buy Local** – market voucher program, support and promotion of local supplier relationships, utilization of local producers for the public sector, promotional gifts with ReStart visuals
  - b. **Be Online** – financial support for SMEs to go online - webpage, webshop, social media representation, online invoicing software
  - c. **Spend Wisely** – rent allowance for SMEs, public space usage fee discount for SMEs, discounted advertising in the municipal media for SMEs. Targeted for companies with employee protection.

For the social benefits 1.4 million EUR social fund were dedicated to specific actions and further 0,5 million EUR to entrepreneurial actions. Already in June 2020 50% of the allocated budget were spent for the social actions and 40% for entrepreneurial activities. Until February 2021 more than 800 people have requested and received the financial subsidy for dismissed labor force due to Covid-19 (300 EUR/person). 1043 people got the market voucher (in value of 100 EUR/person). 54 SMEs got rent allowance and further 23 SMEs got public space usage fee discount in 2020 which became fully free of charge for all SMEs since 2021.

The economy of Szombathely is extremely fragile as it is purely dependent on the automotive industry. The pandemic of 2020 demonstrated the vulnerability of the one-leg structure, urging the need for diversification. To be able to introduce new production profile – health-care related manufacturing – the entire ecosystem has to be involved. It is a transformative change, covering from research-and-development areas through new institution developments to mindset shift. Therefore, efforts have to be made to integrate citizens into the planning procedure of the modified orientation to the planning of the change in the modification of the educational structure.

By creating crisis-resistant, quality jobs, Szombathely is an attractive destination for the development of existing businesses and the establishment of new businesses. To achieve this goal Szombathely intends to promote development through the following strategic plans:

- establishment of healthcare companies (Mitigating the job-reducing effects of automation, making the urban economy more crisis-proof)
- local support for urban employers (Teacher and student exchange program)
- strengthening the circular economy (selective waste collection)
- nature based solutions (tree planting on city level, green roofs and walls)
- development of water management (improving car parks to temporarily retain water)
- promoting green transport (hydrogen-powered public transport)
- smart city projects (environmental monitoring, parking and traffic control, elderly care)

Szombathely set the goal of elaborating a comprehensive development program with which its citizen can entirely identify themselves. To achieve the feeling of shared planning with citizen involvement, it is vital to articulate the voice of the inhabitants. Opinions and suggestions are collected also through the website, and the results are incorporated into the **Szombathely 2030 strategy** (<http://szombathely2030.hu/en/szombathely-2030-program/>).

The development of the strategy was started in June 2020 and carried out by the end of September 2020. The socialization phase started in October 2020 and will be ended in April 2021. From Summer 2021 to 2030 is the implementation phase.

The main objectives of the two initiatives are to improve the position of businesses during and after the COVID virus. The first activity provides an opportunity to encourage the inhabitants of the city to buy local products, thus supporting local businesses that have found themselves in a difficult situation due to the current circumstances. However, online promotion does not only have short-term benefits, because the online presence helps businesses to stay in the attention of the citizens in the long run and thus be able to attract customers in the future to ensuring some level of customer coverage. In this activity, PBN represented as a business support organization, and through its contacts, it is possible to involve a wide range of businesses operating in the city.

Going further, the second action already sets specific long-term goals. The strategy developed jointly with the city and it can help many industrial and business segments. The strategy will not only improve the current and future position of businesses but will also contribute to the education of the citizens, which will further subserve an increase in the number of skilled workers, which will also have a positive impact on local businesses.

The development of the strategy also has a positive effect on the lives of citizens as it has several points that promote the safety and more comfortable life of the inhabitants. PBN is involved in the socialization process as a business support organization, as it maintains good relations with many local companies so that during socialization, their opinions can also reach the city management. PBN undertook to organize the online questionnaire needed for socialization and to analyse the data obtained so that it could be transposed into the strategy. So far (March 2021) 970 questionnaires were filled out by the citizens and the first results are now being examined.

Taking everything not consideration, we can say that by promoting the production and sale of local services and products and by assisting their access to the market, the sustainability of the city and of the area will increase. Furthermore, the implementation of the socialization phase of the Szombathely strategy has a long-term impact – it will contribute to the resilience of the community and local economy and it provides an opportunity for businesses to grow.