



HFDA Academy: New View

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The COVID-19 pandemic has shaken the economy worldwide. Economists have not yet reached a consensus as to what scenario is expected regarding the process of the recovery, and governments are also taking different measures to mitigate the severe consequences for the economy. Although the current situation is causing serious challenges for the Hungarian creative industry, in the long run, the opportunity to emerge is possible, if Hungarian fashion and design companies pay sufficient attention to raising the levels of digitization in their business model.

The impact of a pandemic on the economy can be best described by the nature of a heart attack: in both cases, an essential function cannot be fulfilled - the heart is damaged by a lack of oxygen and in the economy, a shortage of workforce causes recession. Due to the restrictive measures in place, a select amount of people may not be able to participate in the production processes at all - or only to a limited extent, which in turn, causes the volume of production to be significantly lower than usual.

The world economy has found itself in a completely unknown situation, given that there is not yet enough information on the upcoming scenario of the crisis caused by the pandemic.

Economists have described the economy's possible recovery path in the form of three different letters. According to some economists, the epidemic could be followed by V-shaped economic growth, which states that the rapid decline will be followed by a very rapid recovery. The basis for this is for the state of emergency to end by the middle of the summer - as the longer it lasts, the harder it will be to get back up and running. Another popular scenario is the scenario of a U-shaped recovery, which although is similar to the V-shape, it estimates the recovery of the economy to happen over a longer period of time. The least optimistic version is the L-shape, which means that no recovery is expected for a substantial length of time, and even the scenario of a prolonged recession cannot be ruled out.

In addition to the health management aspect of the epidemic, the prevention of an economic downturn is the most important task of the government. This can primarily take form in subsidies to employers or employees in order to stimulate the economy. The extent and manner of these actions vary from country to country, depending on the epidemiological situation, political leadership and government budget of the given country.

The situation in Hungary is determined by budgetary discipline. A significant increase in funding through The Hungarian National Bank's Growth Loan Programme can be expected.

Hungarian fashion and design companies will also experience preferential allowances in terms of tax policy: Two tax changes have gone forward in Hungary: the social contribution tax rate has been reduced from 17,5 per cent to 15,5 per cent, which means an allowance on corporate payroll taxes, and a 1 per cent decrease has occurred for KIVA. Moreover, in some sectors, such as tourism, companies receive additional tax relief. Furthermore, in certain sectors - such as tourism - the state intends to help employers with wage supplement support, and the details of which are constantly on the agenda.

The creative sector may be facing a relatively rapid recovery, which can be seen via foreign examples: In China, Hermés opened with its largest-ever record since the curfew was lifted. In recent weeks, industry players have had to rethink their overall operations - including areas such as their liquidity capacity, and their customer and supplier relationships to remain solvent in the period ahead. Overall, it can be said about the majority of these businesses that they are now prepared for the changed economic situation.

The emerged virus situation has clearly demonstrated that in addition to the immediate tackling of the downturn, digitalisation has become one of the most important areas of development for businesses, which is also a huge opportunity to move forward. Although the epidemic has posed a huge challenge to the economy, it also provided an opportunity to rethink previous business models.

It has now become clear, that Internet-based service providers can be considered as the winners of the epidemic, therefore digitalisation can also be a viable path for businesses in the creative industries. According to some assumptions, this was the first pandemic with serious economic consequences - and we need to be prepared to expect similar ones in the future. Due to this reason, it is recommended that all creative businesses rethink and further develop their digital operating model. The more intense digital presence a company has, the more resilient it is to a downturn, therefore the focus for the coming period will be on changes to encourage digitalisation.