

Industrial Development in Hungary During and After the Crisis

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Outline

- Introduction
- Hungarian industry before the crisis
- Some characteristics of the latest economic crisis
- Hungarian industry during and after the crisis
- Conclusions, future prospects

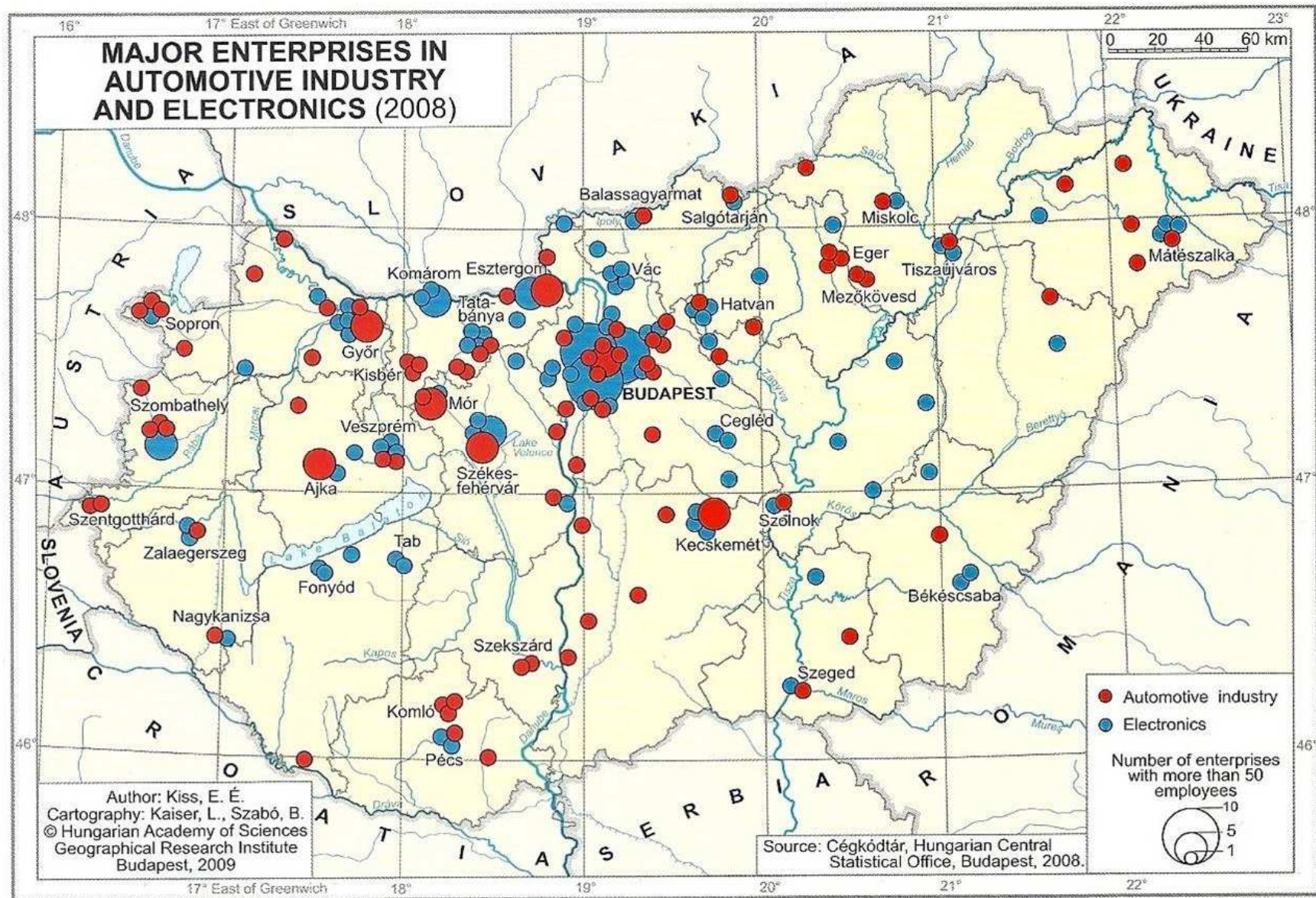
Hungarian industry before the crisis

Long history: different development phases

(prevailed by industrialization)

Radical turn after 1989, a new phase (characterized by de- and reindustrialization)

- organisational, structural, proprietarial etc. changes
- lots of new enterprises were established, structural change, new branches (e.g. car industry) appeared
- considerable foreign direct investment (major investors Germans)
- spatial restructuring: on local level: traditional industrial cities under transformation, „newly born” industrial cities, „car cities”
on regional level: new industrial region appeared



Győr: Audi city

Esztergom: Suzuki city

Szentgotthárd: Opel city

Kecskemét: Mercedes city

Importance of industry in Hungarian economy

Share of industry of national data 1990-2012

Share of industry of (%)	1990	2007	2008	2009	2010	2012
all registered enterprises of economy	25.5	12.1	9.5	8.6	8.5	8.7
all employees	30.7	24.3	24.0	23.0	22.3	23.5
all enterprises with foreign interest	26.8	12.8	12.4	11.7	11.4	11.3*
all investment	37.4	33.7	33.3	28.9	31.9	38..9
all gross national product	44.4	43.6	43.3	40.5	43.1	45.1*
all export	86.1	88.9	87.2	87.9	87.7	84.5
all gross value added	31.4	25.2	24.9	24.6	25.6	25.8*

- no data * 2011.

Source: Statistical Yearbook of Hungary, 1990, 2010.
Regional Statistical Yearbook, 1990, 2010.

Characteristics of the latest economic crisis

- It was the first in the history of post-socialist countries
- Those economies were affected the most, which are strongly integrated into the global economy and which are highly export-oriented
(Globalization index high)

Globalization index

Denomination	2008	2009	2011	2012
Hungary: globalization index	13	10	8	8
Hungary: economic globalization	8 (88,8)	8 (90,2)	7 (89,8)	7 (90,5)
Poland:globalization index	19	30	28	25
Poland:economic globalization	38 (73,5)	37 (74,9)	49 (72,3)	40 (73,6)
Czech R. :globalization index	8	11	12	13
Czech R. : economic globalization	12 (87,7)	12 (86,6)	14 (86,6)	12 (86,3)
Slovakia :globalization index	23	24	15	19
Slovakia :economic index	26 (79,3)	19 (84,1)	19 (84,8)	16 (84,1)

In paranthesis the volue of index.

Number: order of rank.

Causes of the latest economic crisis

- Causes of financial crisis are wellknown
- Special causes in ECE categorized by Gorzelak, G. (2010):
 - external: **strong dependence on decreasing export,**
decreasing FDI,
problems of foreign banks etc.
 - internal: **strongly specialized industry,**
fast growth of wages
irrational economic politics,
not effective institution system etc.
- In case of Hungary: difficulties of the crisis were added to the structural problems

General impacts of the crisis

Consequences (in time, space, society and economy) show lots of similarities in spite of differences

Major economic consequences:

- closing or shutting down firms
- adjustment of other firms (internal structural change, change in strategy, reorganisation)
- less FDI, investment and development or their lack or postponement
- decreasing output, or interruption of production
- small order and purchase by inhabitants
- restricted export possibilities, market change
- small increase in wages or less salary
- dismissals, part-time work, introduction of a four day work per week, increase in unemployment
- running in dept, bankruptcy, taking credit etc.

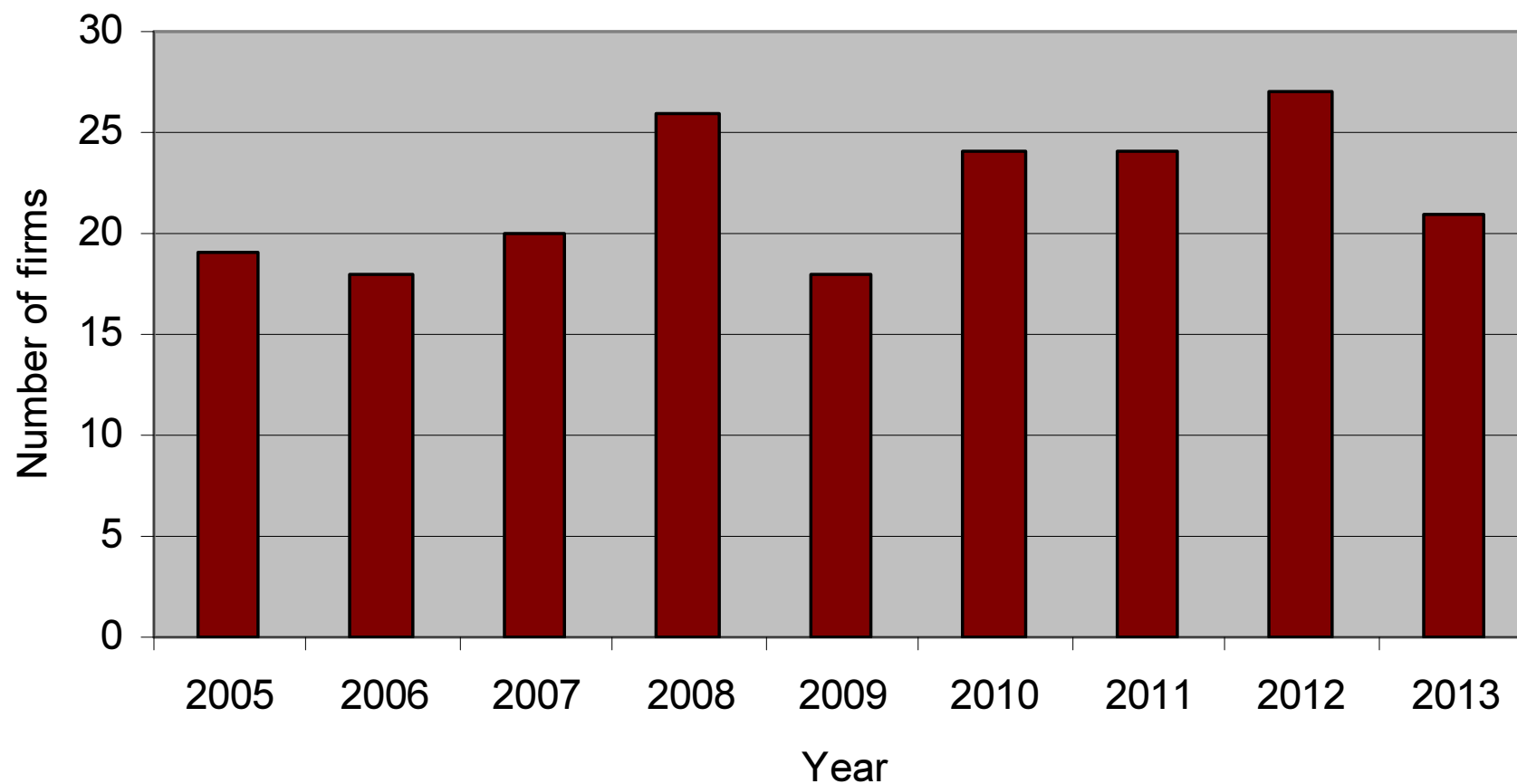
Number of firms

Denomination	2007	2008	2009	2010	2011	2012
Registered enterprises in industry	520102	53285	50110	51165	52648	52517
Registered enterprises in manufacturing of transport equipment	1051	1056	883	941	945	931
Enterprises with foreign interest in industry	3472	3586	3417	3383	3379	-
Enterprises with foreign interest in manufacturing of transport equipment	127	131	139	179	179	-

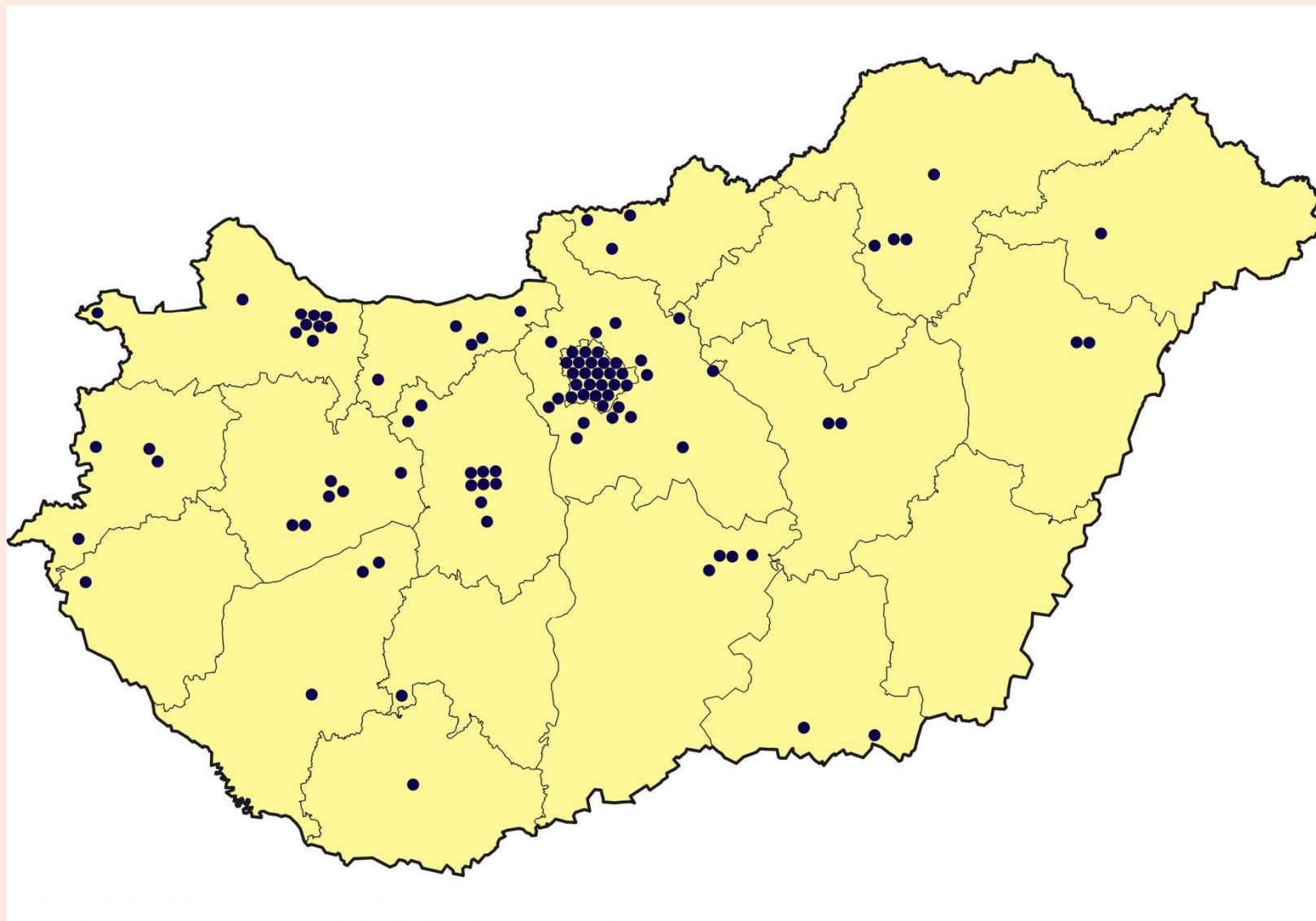
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Source: Statistical Yearbooks of Hungary.

Newly established firms in manufacture of transport equipment in Hungary, 2005-2013

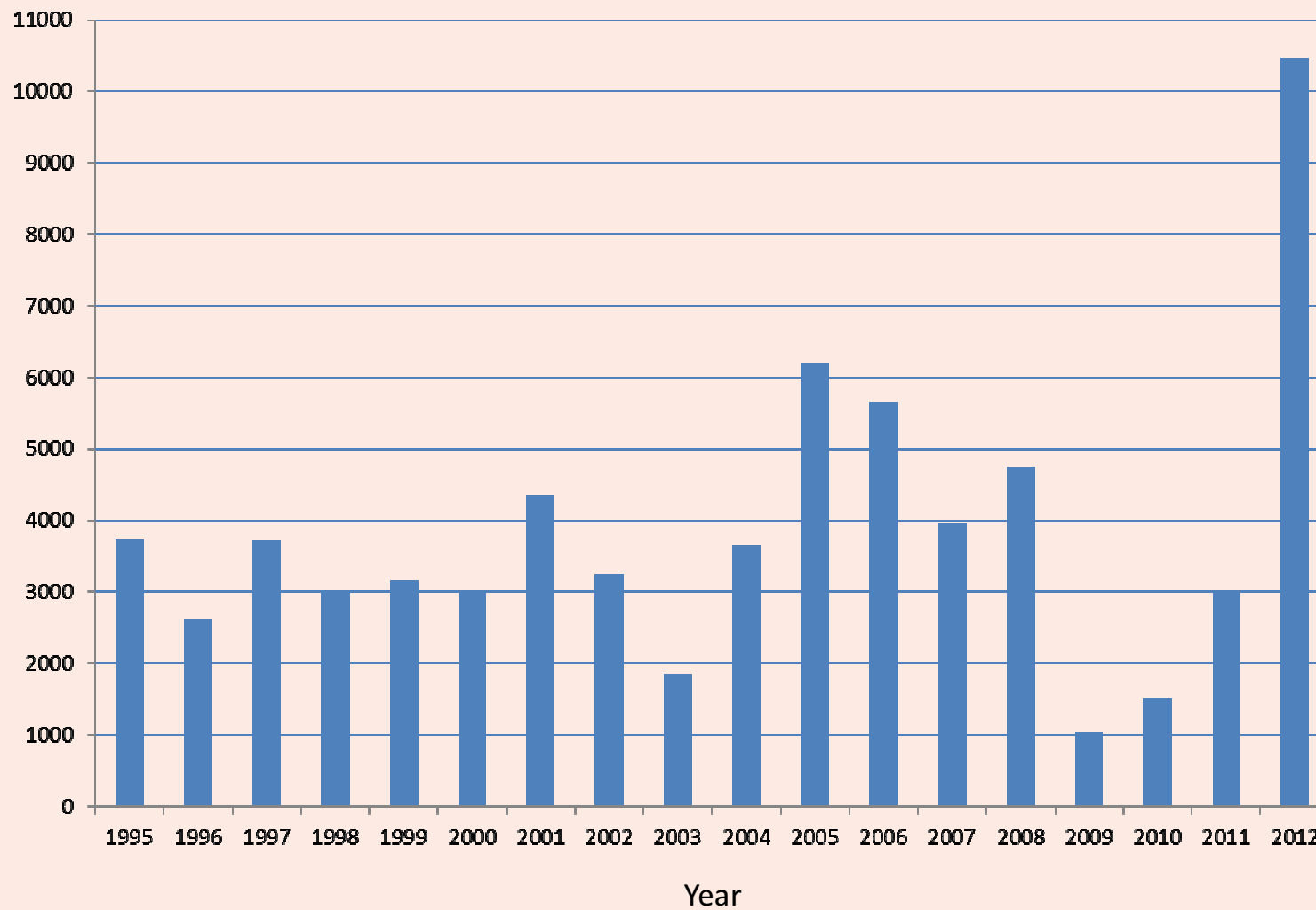


Newly established firms in manufacture of transport equipment in Hungary, 2008-2012



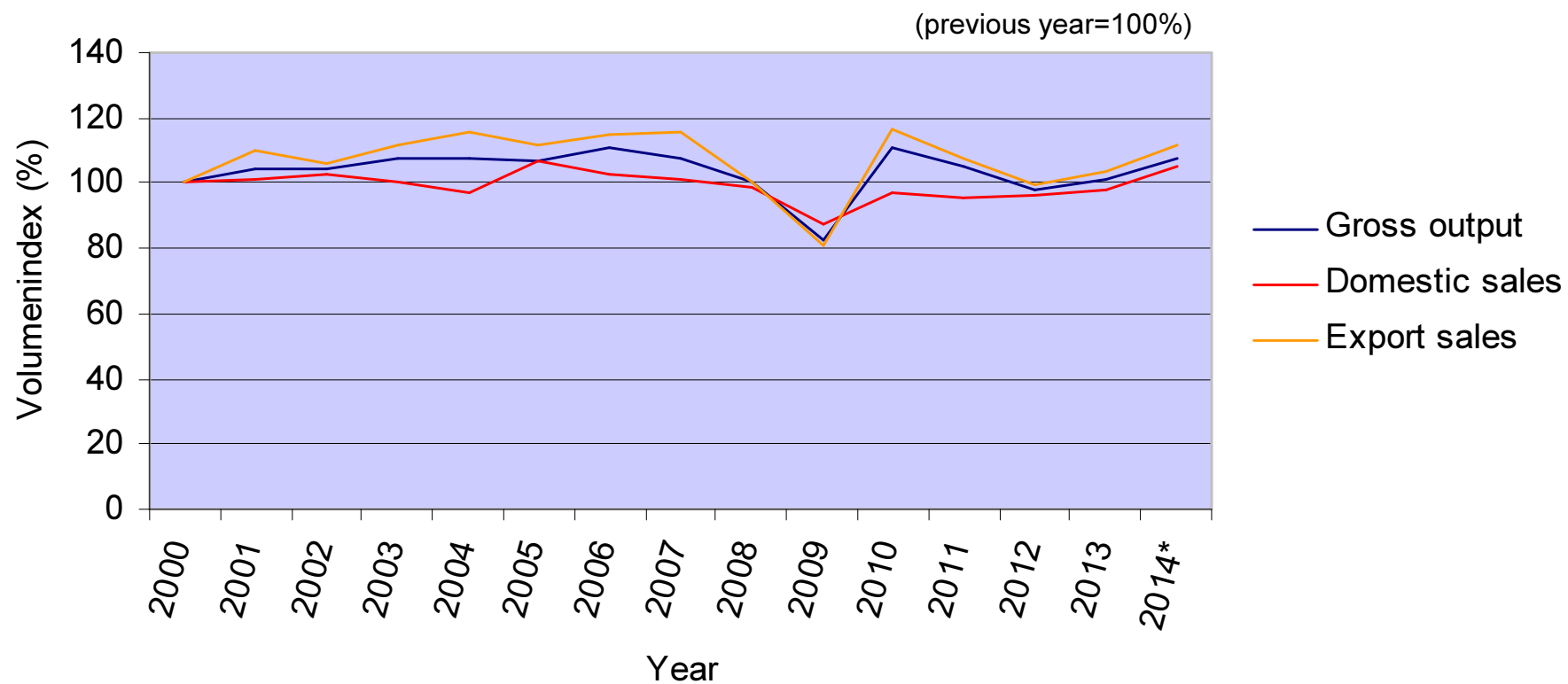
Foreign Direct Investment in Hungary, 2007-2012

Milion euro



Source: World Investment Report, 2013.

Industrial production and sales in Hungary, 2000-2014



* March, 2014.

Source: Statistical Yearbooks of Hungary, 2000-2014.

Industrial production by branches in Hungary, 2007-2012

(previous year=100%)

Manufacture of	Industrial production					
	2007	2008	2009	2010	2011	2012
basic metals fabricated metal products	102.9	100.9	61.3	112.5	113,4	99,6
machinery and equipment	115.7	112.8	90.8	142.5	143,9	100,9
electrical equipment	102.5	95.7	78.9	87.8	89,1	99,2
computers, electronic and optical equipment	114.5	97.3	85.5	120.3	94,8	82,1
transport equipment	115.6	100.8	70.6	120.7	112,2	108,5
chemicals and chemical products	106.2	94.4	83.9	113.9	107,7	99,7
rubber and plastic products	116.5	102.1	77.1	107.9	109,6	100,6
pharmaceuticals, medicinal chemicals and botanical products	95.6	107.2	99.8	107.6	109,2	104,3
textiles, textile products leather products	99.7	88.6	76.7	98.2	124,6	97,0
wood,wood products and pulp, paper and paper products	102.2	100.5	88.7	119.2	97,2	98,6
food products and beverages	96.1	93.3	98.0	99.6	103,1	104,4

Source: Statistical Office, 2012.

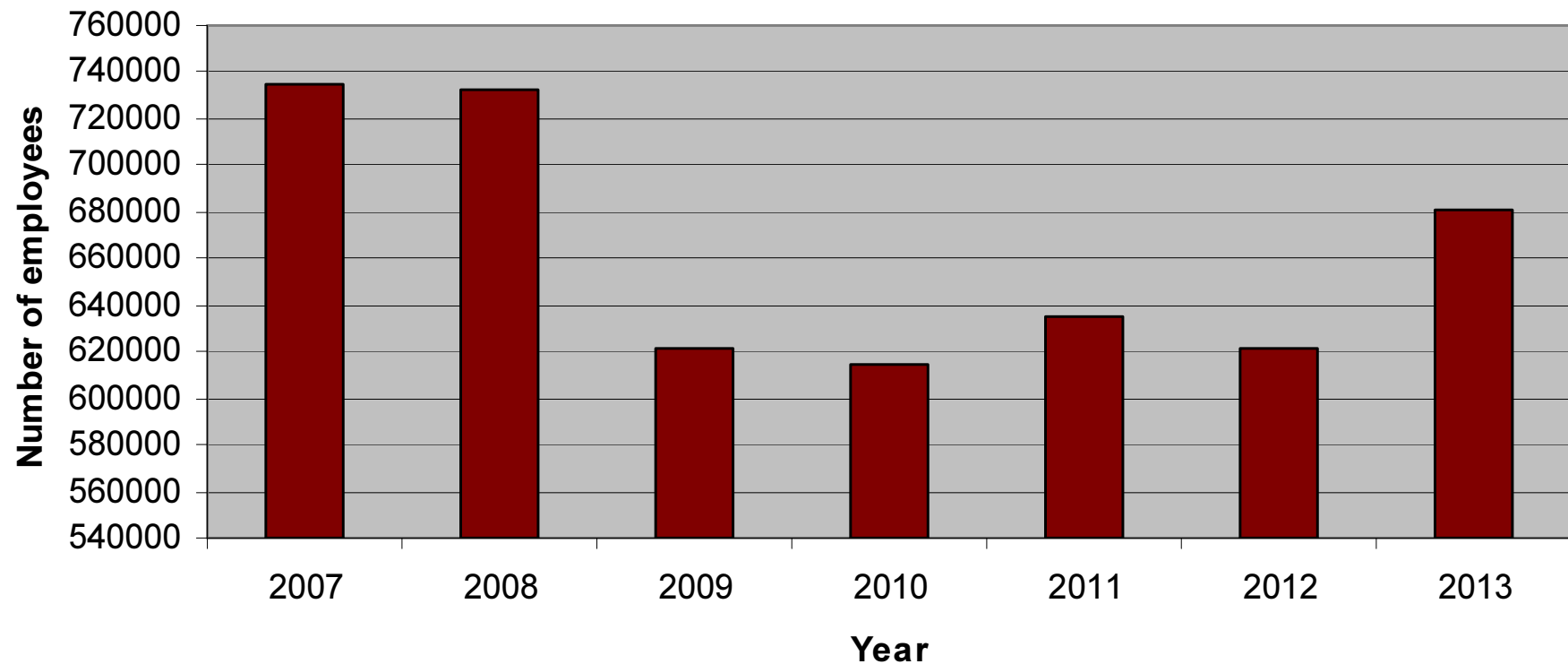
Industrial exports by branches in Hungary, 2007-2012

(previous year=100%)

Manufacture of	Exports					
	2007	2008	2009	2010	2011	2012
basic metals fabricated metal products	113.4	102.9	60.4	108.6	113,3	99,7
machinery and equipment	117.6	116.6	97.6	116.8	144,0	99,5
electrical equipment	103.1	97.5	80.2	86.9	88,7	98,8
computers, electronic and optical equipment	121.0	97.9	86.2	119.3	96,2	83,0
transport equipment	115.9	100.6	71.5	116.8	112,5	110,7
chemicals and chemical products	109.6	94.1	86.2	113.4	106,1	98,4
rubber and plastic products	136.6	104.9	82.2	106.5	117,2	107,0
pharmaceuticals, medicinal chemicals and botanical products	95.7	105.8	100.7	105.5	108,6	105,4
textiles, textile products leather products	103.8	86.2	76.9	97.8	128,1	93,5
wood,wood products and pulp, paper and paper products	116.5	102.4	85.4	118.8	106,6	101,8
food products and beverages	103.8	98.9	104.8	101.0	106,7	110,4

Source: Statistical Office, 2012.

Number of employees in Hungarian industry, 2007-2012



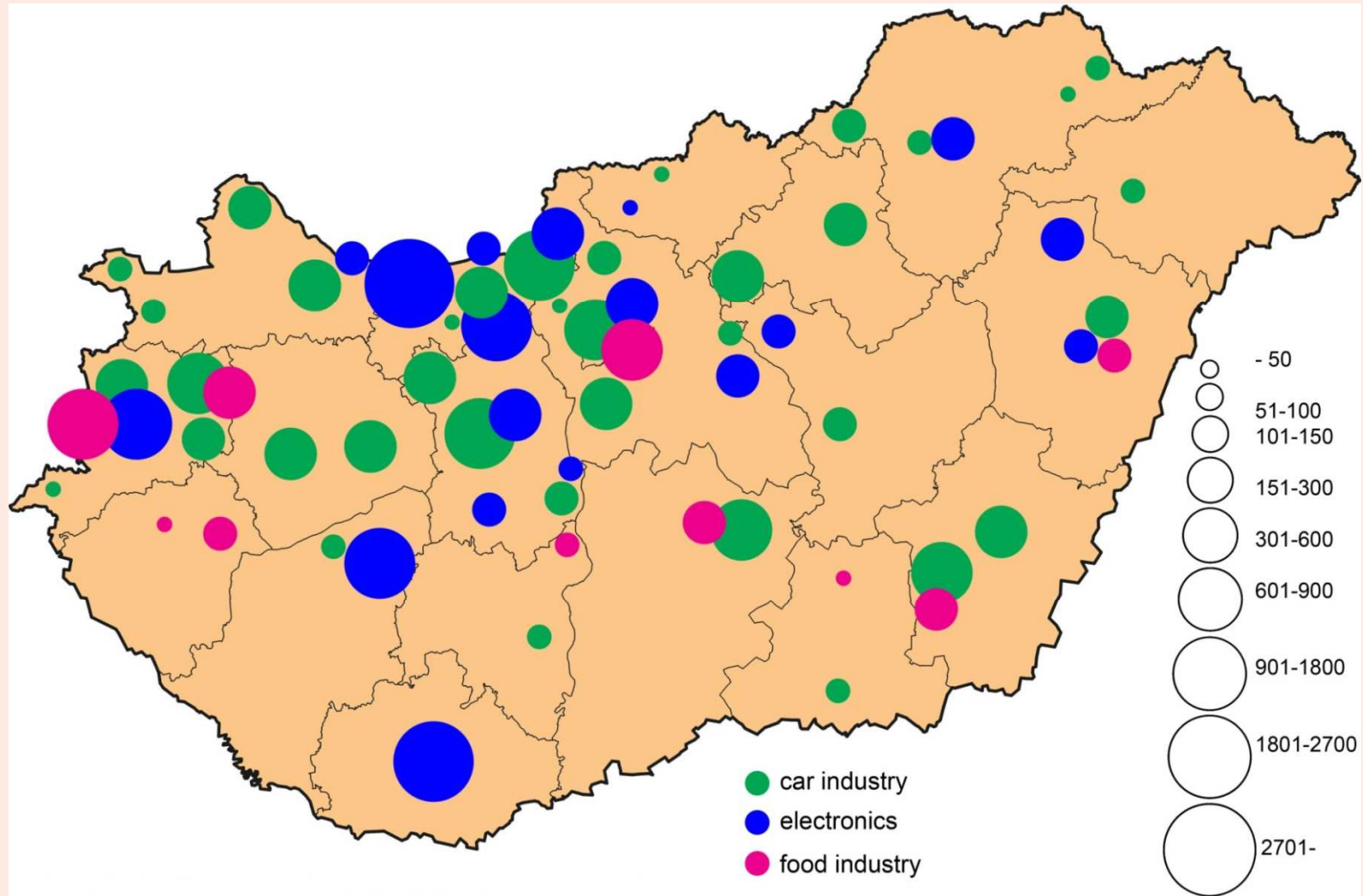
Source: Statistical Yearbooks of Hungary

Changes in employment by branches, 2008-2012

Denomi- nation	Manufac- ture of machinery and equipment	Of which:		Manufac- ture of basic metals fabricated metal products	Manufac- ture of chemicals and chemical products	Of which:		Manufac- ture of light industry	Of which:		Manufac- ture of food and food products
		Manufacture of transport equipment	Manufacture of computers, electronic and optical equipment			Manufac- ture of rubber and plastic products	Manufacture of textiles, textile products leather products				
change 2008- 2010	-37907	-17042	-7838	-11725	-10248	-9460	-12872	-8413	-4036		
2010	253277	67952	57636	67206	95331	60691	73736	38502	95259		
2011	267495	69958	57455	73023	99373	62522	72650	38062	93646		
2012	262399	72370	51261	73028	96080	60317	70359	38023	92174		

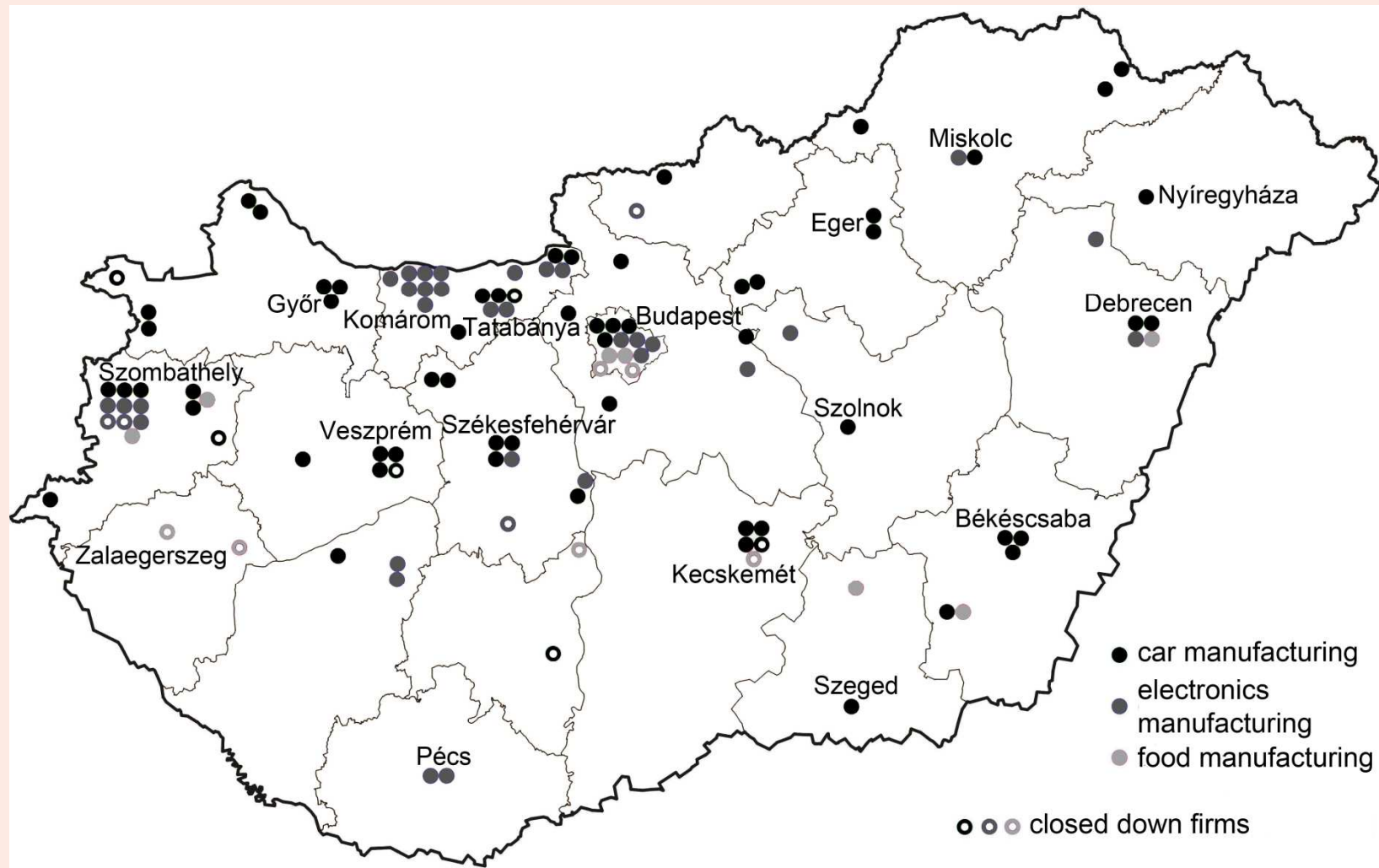
Source: Statistical Yearbooks of Hungary, 2008, 2009, 2010, 2011, 2012.

Number of employees dismissed in Hungary, 2008-2009



Source: Based upon www.index.hu

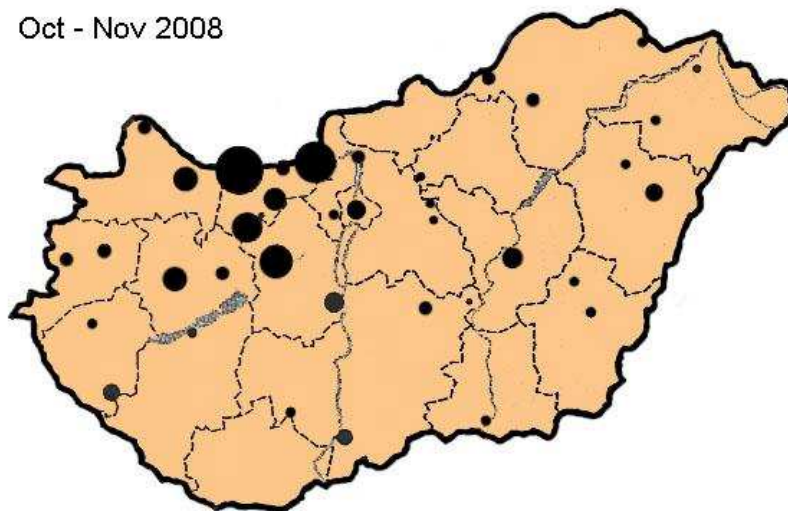
Industrial firms that reduced the number of their employees by settlements, 2008-2009



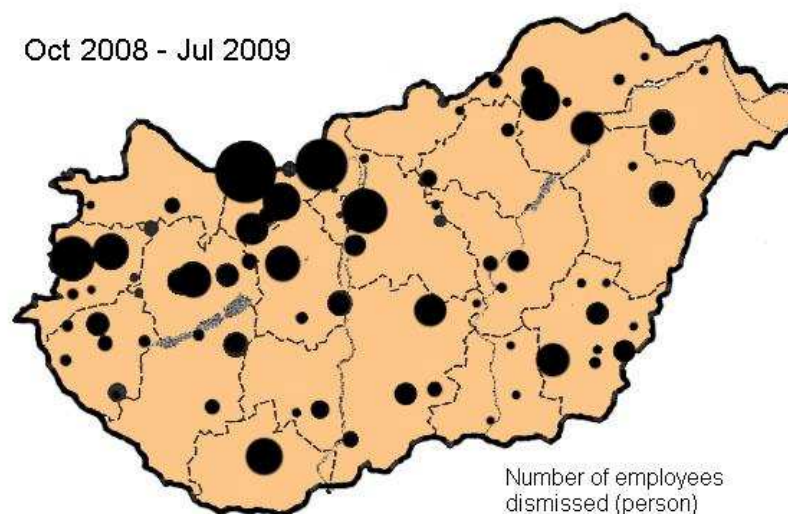
Source: Based upon www.index.hu

Dismissals in time:

Oct - Nov 2008



Oct 2008 - Jul 2009



Number of employees
dismissed (person)



Source: Gazdaság- és Vállalkozáselemző Intézet

Conclusions and prospects

- the crisis affected the Hungarian industry very seriously, especially the most globalized branches
- recovery was faster in manufact. of transport equipment
- the crisis could be well separated in space too: the most affected area was the new industrial area, Northern part of Transdanubia – „core region”
- Prospects from different aspects: industry
car industry
industrial cities

Prospect of Győr
(by a poster in Budapest)



I have gone to Győr, please leave a message!

Thank you for your attention!