



# HUNGARY



**Area:** 93,030 square kilometres

**Total length of the state borders:** 2,216.8 km

**Highest peak:** Kékes (1014 m)

**Lowest point:** Gyálarét (78 m)

**Main rivers:** Duna (Danube) (length in Hungary: 417 km), Tisza (length in Hungary: 596 km), Lajta, Rábca, Rába, Zala, Dráva, Ipoly, Zagyva, Sajó, Hernád, Bodrog, Szamos, Hármas-Körös and Maros

**Largest lakes:** Balaton (596 square kilometres), Velencei-tó (26 square kilometres), Fertő tó (southern part, 75 square kilometres)

**Geographic regions:** Alföld (Great Plain), Kisalföld (Small Plain), Nyugat-Magyarországi peremvidék or Alpokalja (Western Hungary or Lower Alps), Dunántúli-dombság (Transdanubia hills), Dunántúli-középhegység (Transdanubia mountain range) and Északi-középhegység (Northern mountain range).

**Population (1 February 2001):** 10,197,119 persons

**Density of population (31 January 2001):** 109.6 residents/square kilometre

**Main national and ethnic groups:** Hungarian, Croatian, German, Roma, Romanian, Serbian, Slovak and Slovene.

**Official language:** Hungarian

**Capital:** Budapest

**State form:** republic

**Administration structure:** 19 counties and the capital city

**Urban population:** 64.6 per cent

**Employment (2000):** agriculture 6.5 %, industry 33.7 %, other 59.7 %

**Main religions:** Roman Catholic, Protestant (Calvinist and Lutheran), Greek Catholic, Jewish and Orthodox

**Largest cities:** (31 January 2001) Budapest (1,775,203 residents), Debrecen (211,038 residents), Miskolc (184,129 residents), Szeged (168,276 residents), Pécs (162,502 residents) and Győr (129,415 residents)

**Transport network (31 December 1999):** railways 7,768 km (2,530 km electrified), roads 30,267 km

**Per capita GDP (gross domestic product, 2000):** USD 4,528\*, EUR 4,940 (\*calculated at the official medium exchange rate of the National Bank of Hungary)

**Official currency:** Forint

## GEOGRAPHY

Hungary is a landlocked state in Central Europe, bordering Austria, Croatia, Romania, the Federal Republic of Yugoslavia, Slovakia, Slovenia and Ukraine. It is mostly flat, with low mountains in the north and northeast and north of Lake Balaton. Hungary has some limited natural resources (bauxite, coal, and natural gas), as well as fertile soils and arable land.

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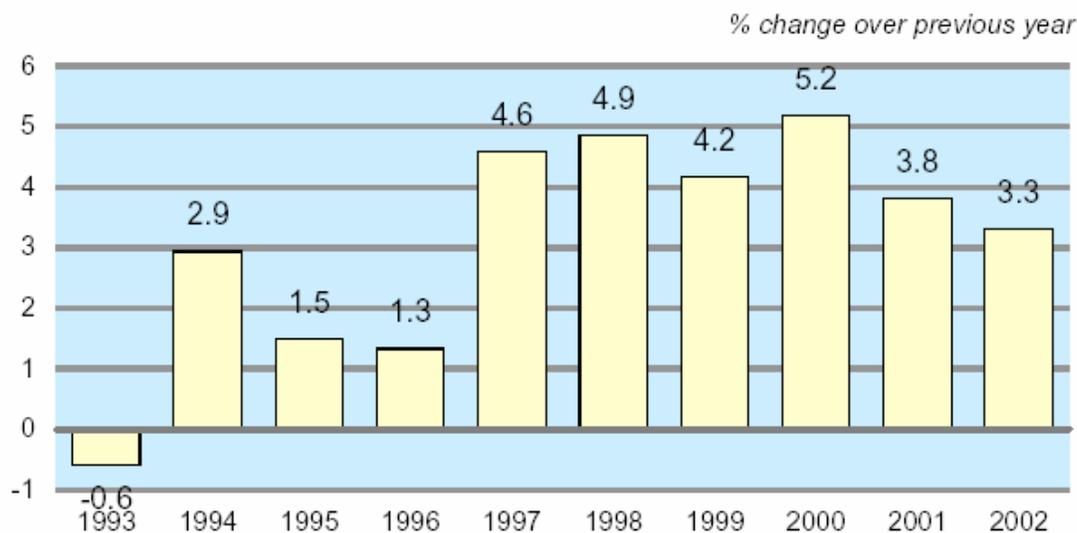
## ECONOMIC OVERVIEW

During the last decade Hungary has made the transition from one-party state and largely command economy to multiparty democracy and market economy. The present government is the third to have been elected since the reintroduction of democracy in 1999. After two years of low economic growth and falling domestic consumption in 1995 and 1996, the Hungarian economy has staged an impressive foreign investment- led recovery with 4.2%GDP growth in 1999 and 5.2% in 2000.

Given the unexpectedly deeper slowdown in growth in the second quarter of the year, forecasts of real GDP growth have been revised downwards. Hungary is now expected to grow by just 2.7% in 2003 and 3.2% in 2004.

Hungary is a member of OECD, WTO, NATO and from 2004 fo the European Union.

### Real GDP change



## REGIONAL CHARACTERISTICS AND DIFFERENCES

Despite favourable economic developments at the national level during the 1990s, the establishment and stabilisation of market conditions took place in different ways in the various regions. Consequently, regional disparities increased. Regional disparities are evident primarily between Budapest and the regions, and between the western and eastern parts of the country. There are also significant differences within the individual regions, and among micro-regions. In the Northwest, the border areas turned into dynamically developing areas, while those in the southern and eastern part of the country are still relatively backward.

Significant economic, social and infrastructure differences are evident. These are most noticeable between the capital city and the rest of the country, between individual regions, and also among micro regions and towns and villages.

*The differences between the capital city and the rest of the country in terms of development* Compared with the rest of the country, the development of Budapest is striking. 17% of the Hungarian population lives in Budapest, while it contributes 35% (2000) to the gross national product. Its advantages result from high population density, its function as a centre for business and financial services and as an innovation transfer centre (gateway function). It has large high value added sectors, mainly business services, research and development and tourism. 28% of the companies are operating in Budapest, over half of the firms with foreign interests and 53% of subscribed capital are concentrated here. The concentration of human capital is reflected by the high ratio (41%) of university/college students and the high ratio of the funds spent on research and development (65%). The significant role of Budapest is further increased by its central geographic location and the hub role in the transport network.

However, the large economic and social potential of Budapest has effect only in the agglomeration, but not in the more remote regions of the country.

*Differences among regions- the division between the west and the east*

Considering the level of economic development, household incomes and unemployment in the regions, apart from the favourable indicators of Budapest, the gap between the east and the west is large. The restructuring of the north western and central parts of the country has been successful when compared to the slowly catching up of the remainder of the country.

The current dynamics of the north-western regions comes primarily from the geographical position of these regions, and from their proximity to western markets. Particularly, with neighbouring Austrian provinces, this has been the dominant factor in economic restructuring.

In Central Hungary, Western and Central Transdanubia the well-trained labour force, its low cost compared with the average of the European Union, and the favourable transport network helped the influx of foreign capital and the influx of innovative and export- oriented industries (car manufacturing, electronics). 85% of the total volume of foreign capital invested in Hungary was realised in these three regions. As a consequence, unemployment rate is lowest in these areas, and income conditions are also better than the national average. In order to maintain the favourable international position of these regions there is a need for a flexible training system in line with the needs of the labour-market, the development of co-operation between enterprises, the development of business services, and for a more active role of municipalities.

**Table 2.1 Some indicators of the Hungarian economy**

Regions	Per capita GDP		Per capita Gross income		Per capita FDI		Number of operating companies per 1000 inhabitants	
	In percentage of the national average							
	1994	2000	1994	2001	1994	2001	1994	2001
Central Hungary	145.6	152.3	120.7	116.3	241.2	243.3	136.5	166.3
Central Transdanubia	86.4	100.5	97.7	104.7	73.5	85.0	96.9	94.0
West Transdanubia	100.7	113.9	92.1	99.6	83.8	76.2	93.8	100.0
South Transdanubia	84.0	74.8	89.6	90.8	35.3	17.9	112.5	91.6
North Hungary	69.6	64.6	89.7	86.7	32.4	48.2	63.5	69.9
North Great Plain	73.9	63.4	87.4	88.1	20.6	22.8	68.8	72.3
South Great Plain	83.3	71.9	87.9	95.4	33.8	29.3	90.6	85.5

Source: Central Statistical Office (KSH)

**Main Economic Sectors**

Changes in competitiveness were very different across the sectors of the economy. The changes in the composition of the main sectors of the economy showed a large decline of agriculture in total production (table 3.1). The largest increase has taken place in services.

This was partly due to the poor supply of services pre-transition, and partly to the appearance of new dynamic service activities such as financial, business and real estate consulting.

Activities related to the tourist industries and media also rapidly grew. In industry, most of which is manufacturing, the changes has been profound as well. This has been important as manufacturing activities make up most of the export sector, and that determines the amount the country can import and use to modernise itself.

**Table 3.1 The sectoral shares of the production (in percent)**

	1995	2001
Agriculture	6.8	4.3
Industry	30.9	32
Manufacturing (part of Industry)	22.5	23.5
Services	62.3	63.7

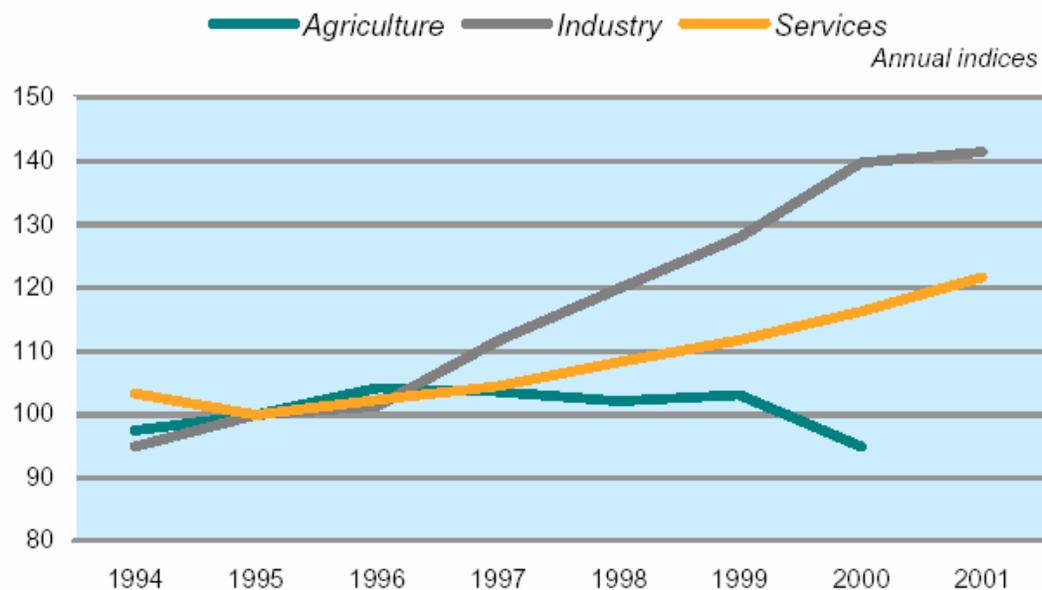
Source: Central Statistical Office (KSH)

**Table 3.2 Volume index of some branches of service and industry**

	1998	1999	2000	2001
Real estate, lease	106,20	105,80	110,80	108,70
Financial and other activities	104,00	103,00	110,80	108,70
Warehousing, spedition, postal and telecommunication services	101,50	108,30	109,10	108,00
Retail trade	108,80	102,20	104,70	105,60
Education	105,90	104,80	104,70	107,00
Manufacturing	114,20	112,10	119,20	103,70
Construction	100,10	105,30	106,60	111,60
Agriculture, forestry, fishery	100,40	100,50	93,70	107,90
Mining	78,00	90,70	95,00	105,90

Source: Central Statistical Office (KSH)

## GDP (value added) in agriculture, industry and services (1995=100):



### USEFUL LINKS

Hungarian Government [www.kormany.hu](http://www.kormany.hu)

Hungarian Parliament [www.parlament.hu](http://www.parlament.hu)

EC delegation to Hungary [www.eudelegation.hu](http://www.eudelegation.hu)