

Table of contents

Map of Hungary and its counties	8
Basic statistics of Hungary	9
<i>Glossary of Abbreviations and Acronyms</i>	10
Summary and Overview	11
Introduction	11
Developments in the economy	12
Structural change and competitiveness	15
Hungary's approach to industrial policy	16
Conclusions and recommendations: an introduction	19
 Chapter 1: Economic Background and Trends in the Current Industrial Structure . .	 23
Introduction	23
The macroeconomic situation	25
Trends in output and factor use	34
The regional dimension	43
Competitiveness, growth, and structural change	49
 Chapter 2: Hungary in the World Economy	 61
Background	61
Major reform measures in the foreign trade regime	69
Outcomes	74
 Chapter 3: The Framework of Industrial Policy in Hungary	 85
Introduction	85
Hungary's changing approach to industrial policy	87
Policy domains	101
Privatisation	110
Investment promotion	116
 Chapter 4: SMEs, Innovation and Regional Policy	 121
The growth of small business	121

Innovation, science and technology policy	126
Regional revitalisation	134
Chapter 5: Hungarian Industrial Policy: Assessment and Recommendations	139
Introduction	139
Macroeconomic considerations	140
Industrial policy	142
Government's role	144
Interest conciliation	145
Institutional innovation	145
Fostering a competitive industry	147
Labour and manpower policy	149
Science and technology policy	150
Small- and medium-sized enterprises	152
Regional policy	153
Environmental concerns	154
Notes	156
Bibliography	160

Annexes

1. Statistical note	165
2. Major international programmes supporting Hungarian R&D	167

List of Tables

1.1. Industrial subsidies, 1989-93	26
1.2. Industrial price indices	28
1.3. Consumer prices, producer prices and wages in industry	29
1.4. GDP and aggregate indicators of Hungarian industry	34
1.5. Industry – sectoral trends	37
1.6. Industry by sector, 1992-mid-1994	38
1.7. Regional unemployment	45
1.8. Persons obtaining unemployment benefit by period of support	47
1.9. Trends in industrial output by county	48
1.10. Types of business organisation in Hungary	50
1.11. Founding and dissolving of businesses in Hungary	51
1.12. Successful and declining branches, 1995-2010	53
1.13. Changes in output and structural change in industry, 1988-92	55
1.14. Production and exports: structural changes, 1988-92	56
2.1. External trade by groups of countries	63
2.2. Foreign debt and reserves	68
2.3. Nominal and real exchange rate changes, 1981-91	70
2.4. OECD imports from Eastern Europe by commodity categories, 1980-92	77
2.5. Principal Hungarian exports and sources of export growth to OECD markets, 1988-92	79
2.6. Exports as a percentage of production, by sector	80
2.7. Import penetration ratios, by industry	80

2.8.	Enterprises with foreign direct investment in Hungary, by year	82
2.9.	Enterprises with foreign direct investment in Hungary, by amount of paid-in capital	83
3.1.	Industrial policy tasks as in <i>Iparpolitika</i> (1993)	91
3.2.	Sectoral aspects of industrial policy	97
3.3.	The private sector in Hungary at the end of 1993	113
3.4.	Holdings by HSHC and various ministries	114
4.1.	Gross domestic expenditure on R&D (GERD) as percentage of GDP	131
4.2.	R&D personnel	132
4.3.	R&D personnel in the business enterprise sector, 1989-92	132
4.4.	Business enterprise expenditure on R&D	133

Annex Tables

A.1.1.	Basic (producer) price indices by industrial branch	171
A.1.2.	Industry – branch trends	172
A.1.3.	Industrial output by county, 1990-91	175
A.1.4.	Industrial output by county, 1992	177
A.2.1.	Commodity pattern of external trade by principal countries	179
A.2.2.	Exports as a percentage of production by branch	182
A.2.3.	Enterprises with foreign direct investment in Hungary by branch of activity	183

List of Charts

1.1.	GDP and aggregate indicators of Hungarian industry	35
1.2.	Industrial output by sector in Hungary	39
1.3.	Output changes and profits	40
1.4.	Employment changes and profits	41
1.5.	Size distribution of enterprises in Hungary, by employment	42
1.6.	Size distribution of enterprises in Hungary, by sales revenue	42
1.7.	Industrial output by region in Hungary	44
1.8.	Regional unemployment in Hungary	46
2.1.	Hungarian terms of trade, 1982-92	62
2.2.	Commodity pattern of external trade	64
2.3.	Convertible and non-convertible trade	65
2.4.	Hungarian external trade by groups of countries	66
2.5.	Nominal and real effective exchange rates	71