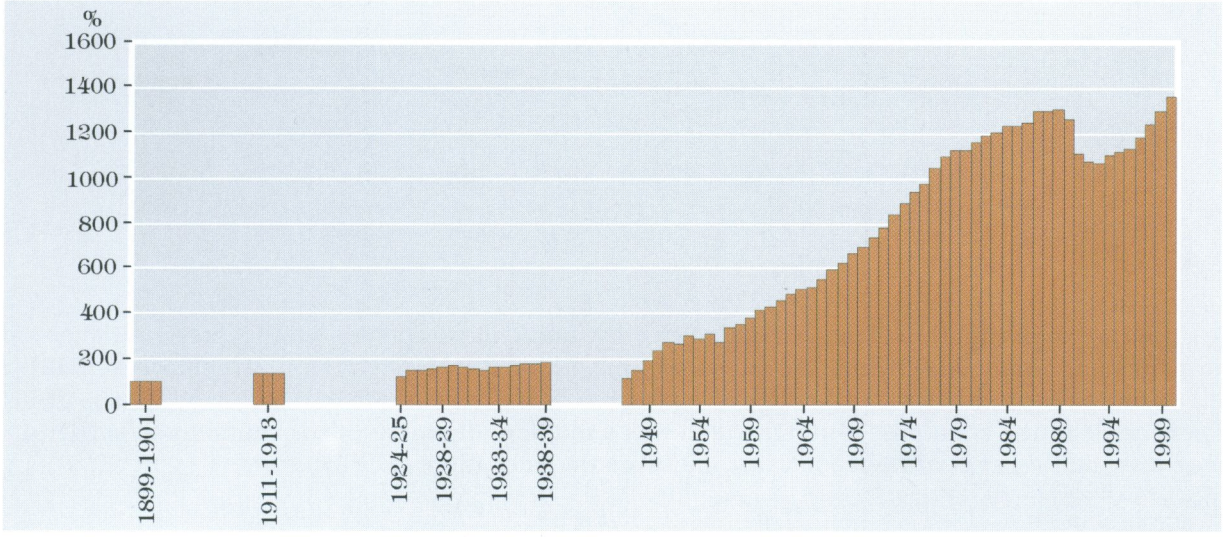
THE ECONOMY IN THE 19th and 20th CENTURIES

National production

Over the last two centuries, different procedures have been designed to measure the performance of the national economy, each regarded as an improvement on the one before. Because of the different methods employed, the figures passed down can only be compared with some reservations. However, it may be assumed that every method illustrates the main outlines of development in each era.

The growth in national production was hampered by the two great wars in the first half of the last century and the World Great Depression. The level of the economy's performance in 1946-47 was not much (17%) higher than that at the turn of the century, and lower than the average in 1911-13.

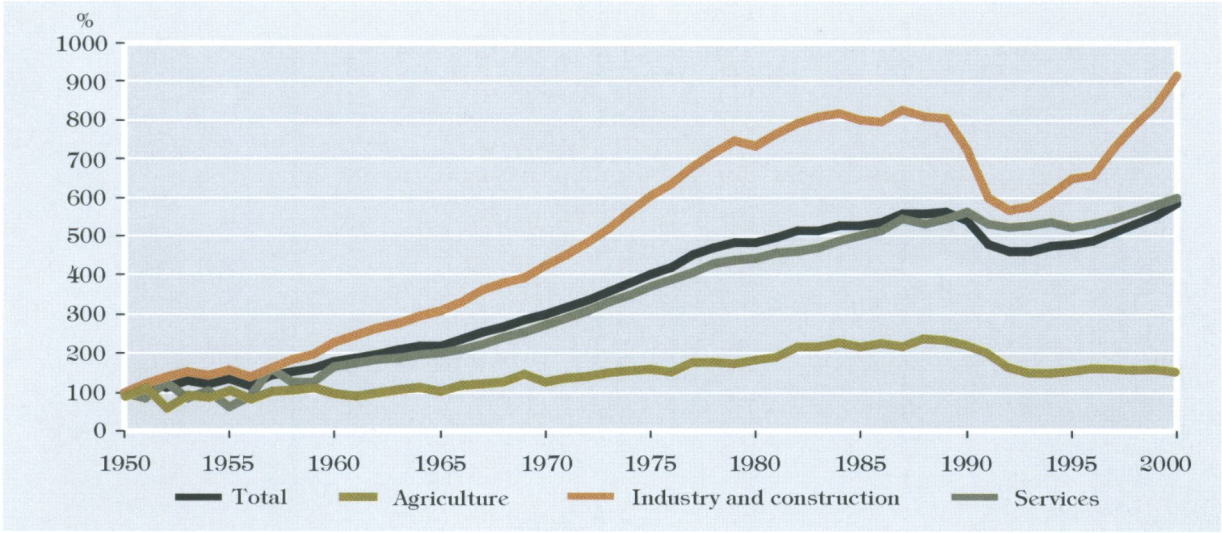
National production
(volume indices based on net national production, national income and gross domestic product)
Average for years 1899–1901=100



In the second half of the 20th century up to 1989, growth was almost continuous, but at the start of the nineteen nineties, the social and economic transformation brought a major recession such that it was only right at the end of the century that the national output exceeded its previous peak of 1989. In 2000, output was 13-14 times that of one hundred years previously. During the century, the population grew by half, so that per capita production also grew substantially – by a factor of about nine.

In the second half of the 20th century, the GDP and the performance of the sectors that contribute to it were measured by a more or less uniform method.* The trends that emerge also appear to apply to the preceding period, on the basis of partial figures: growth was very weak in agriculture, very strong in industry and construction, and about equal to the overall average in services.

Gross domestic product
(1950=100)



The structure of production changed fundamentally. Rapid development led to a predominance of industrial branches and financial services. At the same time, agricultural production, which accounted for nearly a half of national production at the end of the 19th century, now contributes only 5% of the gross value added generated in the economy. Mining, which was a major component of the economy in earlier decades, produced only half a per cent of gross value added at the end of the 20th century.

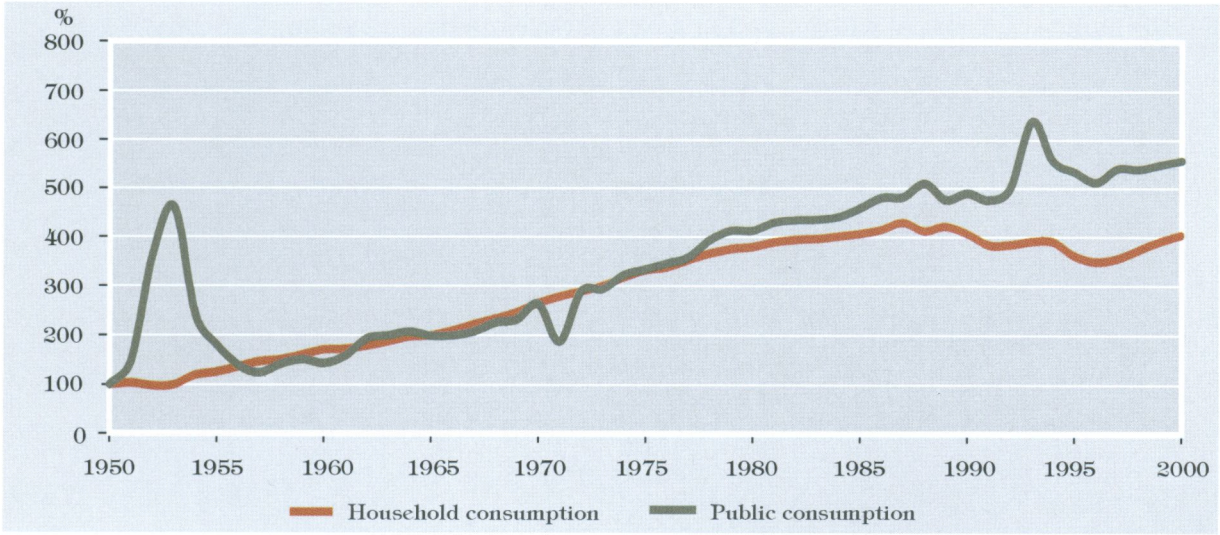
*Between 1950 and 1960, the HCSO measured total economic output by national income. This was later used as the basis for estimates and calculations of GDP and gross value added created by each sector.

Gross value added in the main branches of the economy, 2000
(at current basic prices)

Branch	Billion HUF	Share, %
Agriculture, forestry, fishing	472	4.1
Mining	31	0.3
Manufacturing industry	2 877	25.2
of which: engineering	1 092	9.6
Electricity, gas, steam and water supplies	430	3.8
Construction	520	4.6
Industry together with construction	*3 858*	*33.8*
Trade, repair, hotels and catering	1 428	12.5
Transport, storage, post and communications	1 096	9.6
Financial services and real estate	2 344	20.5
Public administration, education and health	1 874	16.5
Other public and personal services	342	3.0
Total:	11 414	100.0

Over the decades, within the domestic use of GDP accumulation has increased considerably, while consumption, which accounts for a far higher share, has increased at a lower rate. Within the final consuption household consumption was four times higher at the end of the 20th century than it was fifty years previously, but was still below the twentieth century peak reached in 1987.

Consumption



Domestic use in 2000 was 13,604 billion forints, 5.5 times the volume of 1950, exceeded domestic production by 4%, the difference being covered by a 529 billion import surplus.

Use of gross domestic product, 2000
(at current prices)

Use	Billion HUF	%
Household consumption expenditure	6 684	49.1
Social benefits in kind	1 616	11.9
Final consumption by households	*8 300*	*61.0*
Public consumption	1 316	9.7
Total final consumption	9 616	70.7
Gross capital formation	*3 180*	*23.4*
Change in stocks, etc.	808	5.9
Total gross accumulation	*3 988*	*29.3*
Total domestic use	**13 604**	**100.0**

In the second half of the 20th century, the widening and deepening of links between countries and national economies focused interest on comparison of different economies' levels of development. Exchange rate-based conversions were of limited use for this purpose. The problem became the focus of efforts by individual researchers, research institutes and international organizations. From the end of the 1950s, Comecon made comparisons based on the main economic indicators, such as per capita national income. It was in 1970 that the UN first made a purchasing-power comparison (ICP), in international dollars, of GDP in ten countries of widely varying levels of development, including Hungary.

Per capita GDP 1970

Country	International dollars	As a percentage of	
		United States	Hungary
United States	4 801	100	248
France	3 599	75	186
Federal Republic of Germany	3 585	75	185
Japan	2 952	62	153
United Kingdom	2 895	60	150
Italy	2 198	46	114
Hungary	1 935	40	100
Columbia	763	16	83
India	342	7	18
Kenya	247	6	14

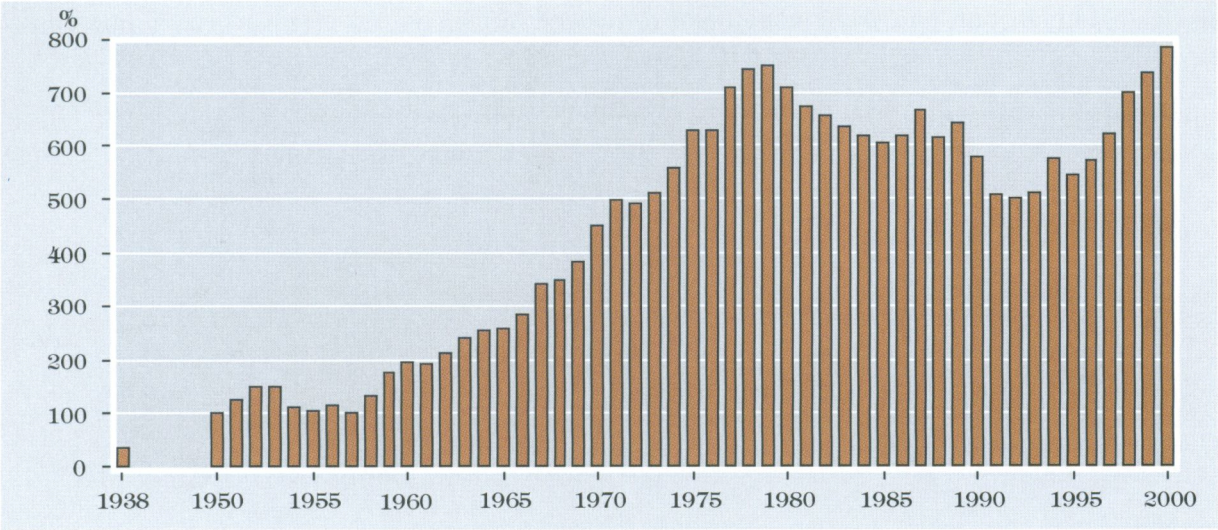
In the following decades, more and more countries were involved in the comparison programme, and the calculation methods were perfected. Now the international organizations - primarily the OECD and the European Union - routinely produce such calculations every year, very few European countries (e.g. Yugoslavia) being left out, and those usually for special reasons.

GDP of Hungary and her neighbouring countries in 1999
(in dollars, at purchasing power parity)

* Austria's figures are slightly (10%) higher than the EU average.
** For Yugoslavia, the World Bank's exchange-rate based estimate is given. The figure for countries of similar level of development in dollars converted to purchasing power parity is 2-3 times higher.

At the beginning of the 1950s, investments were shaped mainly by the forced pace of industrialization concentrating of sub-branches of heavy industry, preparation for war capability and the construction of prestige projects out of proportion with the country's capacity. The first government of Imre Nagy (1953) stopped many of the current projects and concentrated on raising living standards. The price of this goal, however, was that investments became very protracted and fixed assets became dead capital. From that time up to the change of system, over-investment, upset financial balances, and cancellation of some investment projects was a pattern that was periodically repeated. Some large projects (e.g. the Budapest Metro, the Paks Nuclear Power Station, the Bős-Nagymaros Hydro-Electric Project) were started up several times, and then cancelled or held back. The efficiency of investments was low.

Investments
(1950=100)



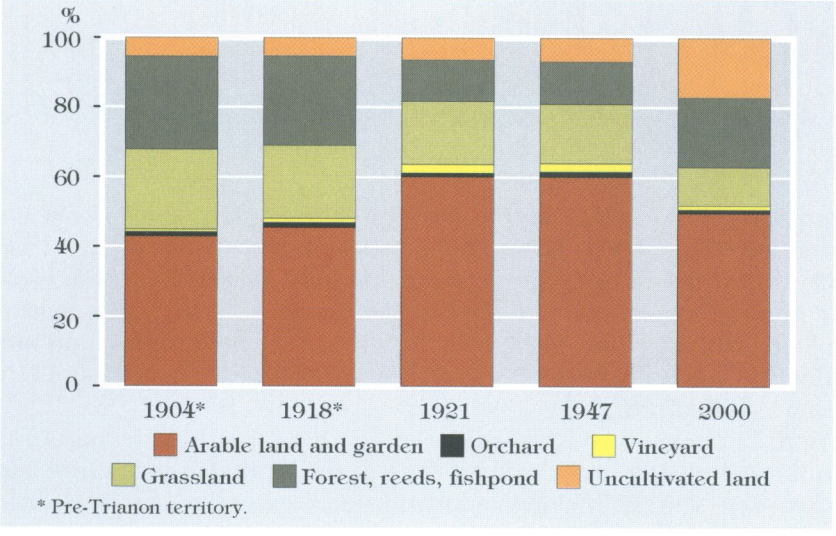
In the first years after the change of system, investments were set back by the economic recession accompanying the country's transformation, but surged ahead from 1993 onwards. This became the driving force for the rapid economic growth experienced in the second half of the nineties. Foreign investors were very prominent in the investment upturn. By the end of the nineties, foreign-controlled enterprises were responsible for 38-40% of total investments.

Agriculture

Hungary's natural features - climate, location, water supply and soil - afford above European average potential for agricultural cultivation. In past centuries, agricultural production was the dominant sector of the economy and there were periods when the population was supplied with food at a level exceeding that in most European countries, and substantial surpluses were sold abroad.

Of all European countries, only Denmark has a higher proportion of agricultural land than Hungary. In 1999, there were some 6.2 million hectares (two-thirds of the total area) under cultivation. Arable and horticultural cultivation was conducted on some 5 million hectares, and pastoral production on more than 1 million. The area covered by forests was nearly 1.8 million hectares (19%).

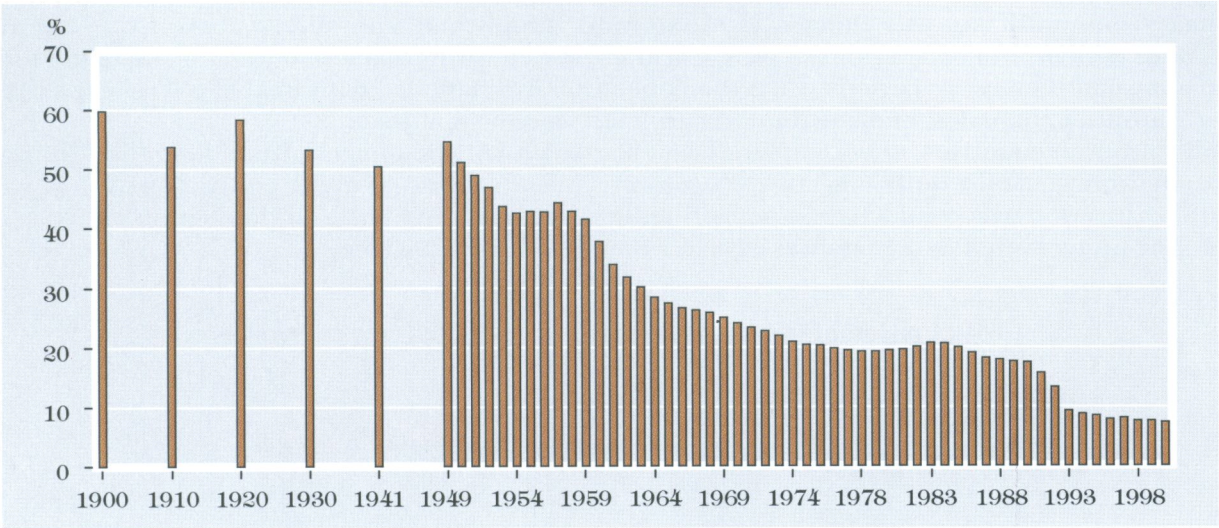
Distribution of the country's land area by land-use categories



As regards agricultural area per hundred of population, Hungary is one of the best-appointed of countries (61 hectares per hundred population, European average 45), and even in terms of arable land per agricultural worker the European countries with more are Denmark, Sweden and France.

The number of active agricultural earners as a proportion of all earners fell from above to below the European average after 1995. However, in addition to active earners, several hundred thousand people devote some time to agricultural activities alongside work in other branches of the economy, or as pensioners, or people claiming child care benefit, unemployed people, or family members.

Proportion of active earners working in agriculture, %



In the second half of the 19th century and at the start of the 20th century, as industry and the urban middle classes progressed, village socio-economic conditions were characterized by the persistence of a semi-feudal system of large estates and the mass of landless peasants and agricultural workers. Land reform was one of the great socio-economic issues of the first half of the 20th century.

At the beginning of the 20th century, more than two-thirds of the area of land suitable for agricultural cultivation was tilled by 4000 landowners on estates larger than 500 hectares. The land of the 2 million peasant farms covered an equal area.

The slow development of agriculture was broken by the First World War, and in the last years of fighting, output fell to about a half of the pre-war level. One of the principal measures taken to counterbalance the economic downturn was the 1920 land reform, which extended to an area of 660,000 hectares. Smallholders and landless labourers and servants (totalling 400,000) received very little land (on average one and a half hectares), and another 200,000 families received housing space. Many farms could hardly pay the loans for the purchase price, and they fell into debt and were auctioned. Thus the Nagyatádi land reform largely left the semi-feudal land ownership system untouched.

The world economic crisis of 1929-1933 dealt its severest blow to cereal-producing countries, of which Hungary was one. Prices fell by over 50% in the crisis years. Unsold stocks grew, as did agricultural debts and unemployment. Yields hardly exceeded those of 20-30 years before. Recovery was assisted by the state intervention policy applied throughout the world, and later gave way to the wartime boom.

Whereas the interwar progress of industry and trade contributed to modernization of life in the country, there was hardly any modernization in agriculture. Tractors and threshing machines became more widespread, and some advanced agriculture was conducted on the large estates, but modernization was

hampered by the pattern of land ownership and the fact that nearly a half of the large estates were entailed. This caused the majority of large estates to be uncreditworthy and cash-deficient, so that investments were put off and the cheapest possible modes of cultivation persisted.

The damage to agriculture suffered in the Second World War was some twice the 1938 national income of this branch. The level of production and food consumption declined sharply.

Hungary's largest landowners in 1943
(without Treasury, village, municipal, church, school etc. estates)

Landowner		Cadastral hold	Hectares
Prince Pál Esterházy	Eszterháza	223 270	128 493
Prince György Festetics	Keszthely	69 406	39 944
Count Móric Esterházy	Csákvár	54 750	31 509
Marquis Károly Alfonz Pallavicini	Budapest	50 401	29 006
Count Tamás Esterházy	Devecser	46 980	27 037
Prince Gothai Fülöp Józsiás Szász-Coburg	Budapest	41 075	23 639
Hered. Count László Károlyi	Budapest	37 713	21 704
Royal family holdings	Ráckeve	35 908	20 665
Prince Albrecht	Mosonmagyaróvár	34 994	20 139
Count István Károlyi	Fehérvárcsurgó	24 411	14 049
Count József Hunyady	Kéthely	23 300	13 409
Count Sándor Festetics	Dég	23 138	13 316
Count Ferenc Esterházy	Tata	22 753	13 094
Count László Semsey	Budapest	20 774	11 956
Count Andor Pál Széchényi	Marcali	18 952	10 907
Count Pál Esterházy jr.	Réde	18 381	10 578
Count László Batthyány-Strattmann	Körmend	18 317	10 542
Count Sándor Andrássy	Budapest	18 173	10 459
Princess Boncompagni Józsefné and Count Henrik San Martino	Róma	17 966	10 340
Count Aurél Dessewffy.	Vencselő	17 872	10 285

On 17 March 1945, the Transitional National Government passed the land redistribution decree. Land distribution affected 30% of the country's arable land (2.9 million hectares) and 60% of forests. A total of 642,000 people received land, of average area 3 hectares. The minimum area received was 0.7 hectares and the maximum 8.6. Most of the land was received by farm hands and landless agricultural labourers living on large estates (average some 5 hectares). Dwarfholders and smallholders received additional land.

Recipients of land under the 1945 land reform by occupation

Occupation	Number of persons	Distributed land in cadastral holds*	
		total	per capita
Farm hands	109 875	922 255	8.4
Agricultural workers	261 088	1 288 463	4.9
Dwarfholders	213 930	829 477	3.9
Smallholders	32 865	143 131	4.4
Farmhands and artisans	22 164	53 866	2.4
Qualified (certificated) farmer	1 256	14 548	11.6
Forestry employee	1 164	6 998	6.0
Total	**642 342**	**3 258 738**	**5.1**

*1 cadastral hold=0.5755 hectare

90% of land distributed was arable, garden and vineyard land. Simultaneously with the land reform, state forests were set up on 800,000 hectares and common pastures on 300,000 hectares. The land reform gave rise to a system of land holding based on small peasant farms.

Distribution of farms and their land area

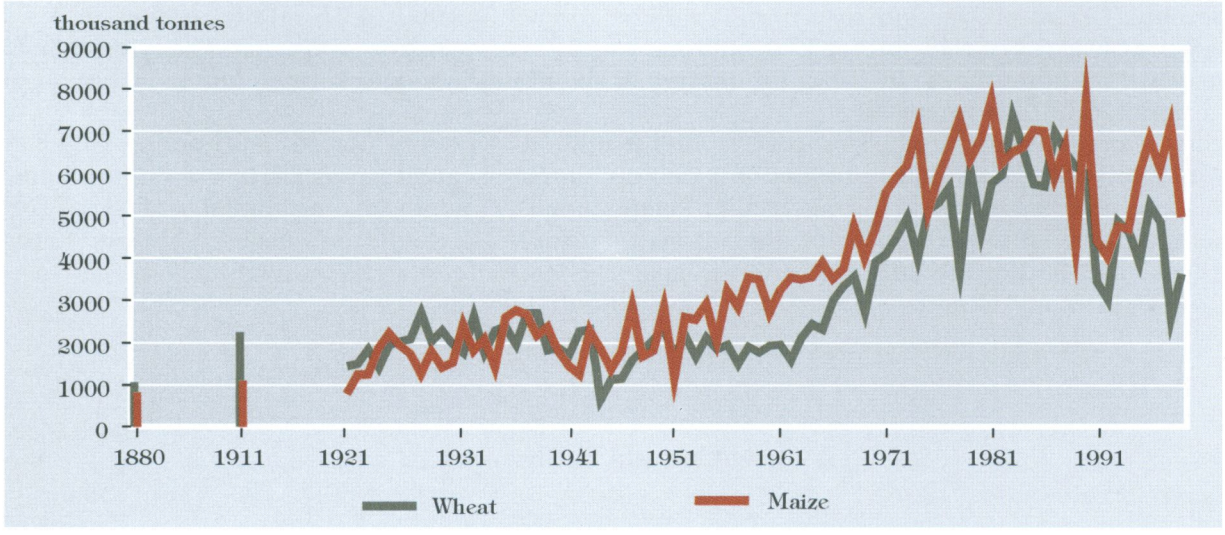
per cent

Estate size, hectares	1935			1949		
	Number of farms	Total area	of which: arable	Number of farms	Total area	of which: arable
Dwarfholdings (-2.9)	72.4	10.1	12.3	45.7	15.0	19.2
Smallholdings (3-57.5)	26.8	41.8	53.1	54.1	55.9	74.4
Med. est. (57.6-575.5)	0.7	18.2	14.5	0.2	4.2	5.6
Large estates (576)	0.1	29.9	20.1	0.0	24.9	0.8
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

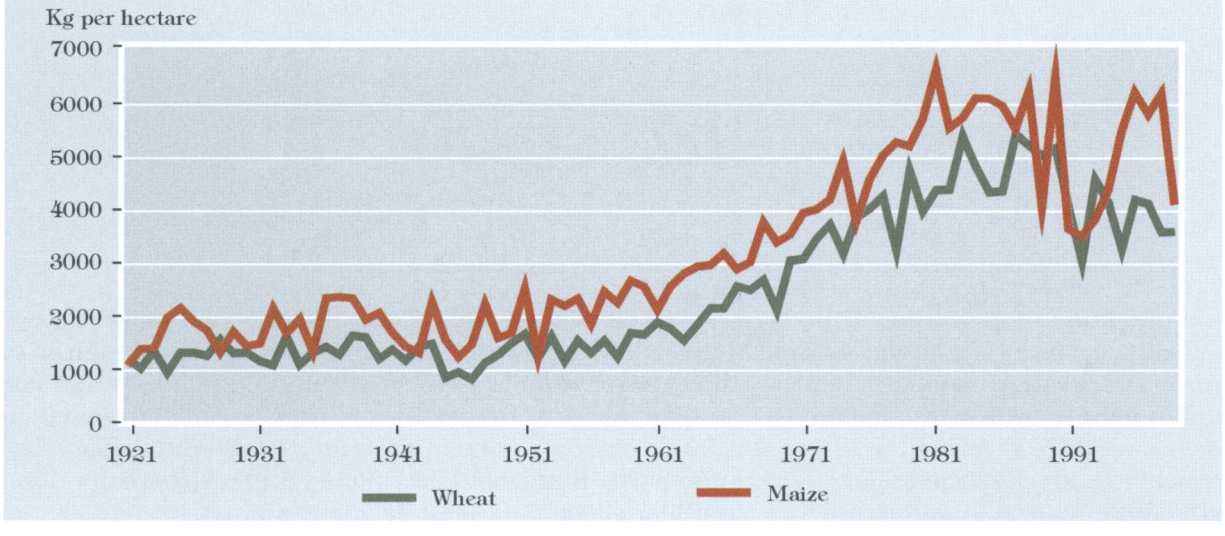
The new recipients of land and the old smallholders quickly remedied the war damage. However, the progress of small-holding cultivation stopped short in the 1950s as the result of agricultural policy. Production fell, and in a few years more than 250,000 farmers gave up land cultivation.

Most of the private farms remaining or released from cooperatives after 1953 were forced into production cooperatives between 1959 and 1961. Changeover to large-scale farming caused many of the old peasant means to drop out of agriculture and development required large injections of state support. This succeeded in raising production above past levels and agriculture achieved rapid development and high standards even by international comparison. The results were due to gradually forming cooperation between one and a half thousand large farms and one and a half million small agricultural producers.

Harvest of main cereals



Average yields



In twenty years - from the beginning of the nineteen sixties to the beginning of the eighties - agricultural production rose by 85-86%. Livestock production progressed faster, but crop production also rose considerably. Cereal production rose from 7 million tonnes in 1960 to 15 million tonnes in 1982. The largest wheat harvest of the century (7.4 million tonnes) was reaped in 1984, and the largest maize harvest (nearly 8 million tonnes) in 1982. Production declined in the nineties, total annual cereal production being around 10 million tonnes.

Annual average wheat production rose from 1.6 million tonnes in the 1921-25 period to 4.1 million tonnes in 1996-2000, and maize production by an even greater extent, from 1.5 to 6.2 million tonnes.

While analyzing harvest and average yield of main cereals, it might be observed, alteration of the latter represented the most important factor also in the lon grun in the volume of wheat and maize crop.

In the second half of the 20th century, the use of irrigation and artificial fertilizers greatly increased, but in the eighties and nineties, both suffered a substantial decline.

Irrigation and fertilizer use

Year	Irrigated area (th. ha)	Mineral fertilizer for each hectare of agricultural land (kg)
1939	14	2
1950	33	5
1960	95	23
1970	109	122
1973	311	176
1983	176	241
1997	82	46
1998	94	53
1999	34	56

The momentum of development petered out in the second half of the 1980s in the wake of world economic effects and the tightening of domestic restrictive financial policy. As part of the change of system, production cooperative members and their relatives were able to reclaim their old holdings and land was returned to private ownership. Part of the productive area of large farms were set aside for compensation purposes. Claimants received land from this land by means of compensation bonds. Only affected cooperative members and only local residents could take part in the land auction. By 1994, some half million people had taken up a total of approximately 2 million hectares of land by auction.

Some of the production cooperatives ceased, and some became smaller cooperatives. In the new system of ownership, the cooperatives carried on their activities as tenants. Most state farms were converted into joint-stock companies, but a minority were divided up.

As well as the rapid price rises in industrial products and machinery, a series of dry years also undermined farming conditions. One fundamental problem was the difficulty of finding viable foreign markets for agricultural produce. The eastern markets were suffering solvency problems, Western markets were saturated, and Hungarian products, because of their quality, packaging, etc., did not find buyers.

These circumstances did not kindle the enthusiasm among new landowners that was manifested in 1945. Because of their age, health and financial resources, they were incapable of prospering as farmers, and so they tried to profit by selling or leasing their land. In 1994, more than 1 million hectares of land were leased. Ownership and use of land became largely distinct.

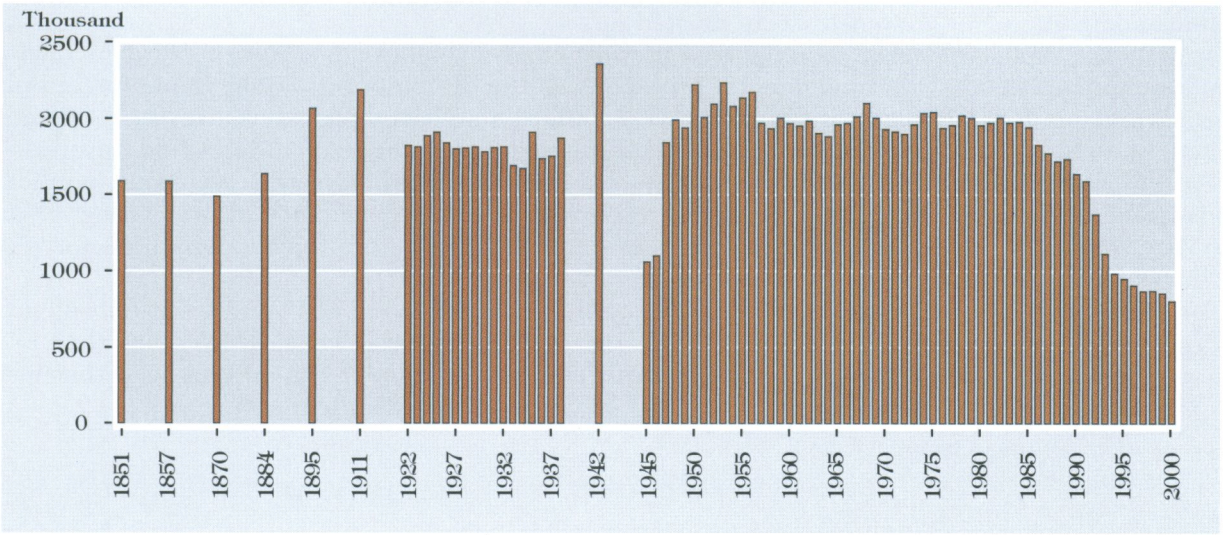
In the 1990s, agricultural production fell by nearly 40%. The low point of 1993-94 was only slightly surpassed in the following years. The decline was further reaching in production of livestock than of crops. The most spectacular decline was in beef cattle breeding. The stock of 1.8-2 million head that had been kept up for many decades fell to around 0.8 million by the turn of the millennium.

Land use by legal forms, 2000

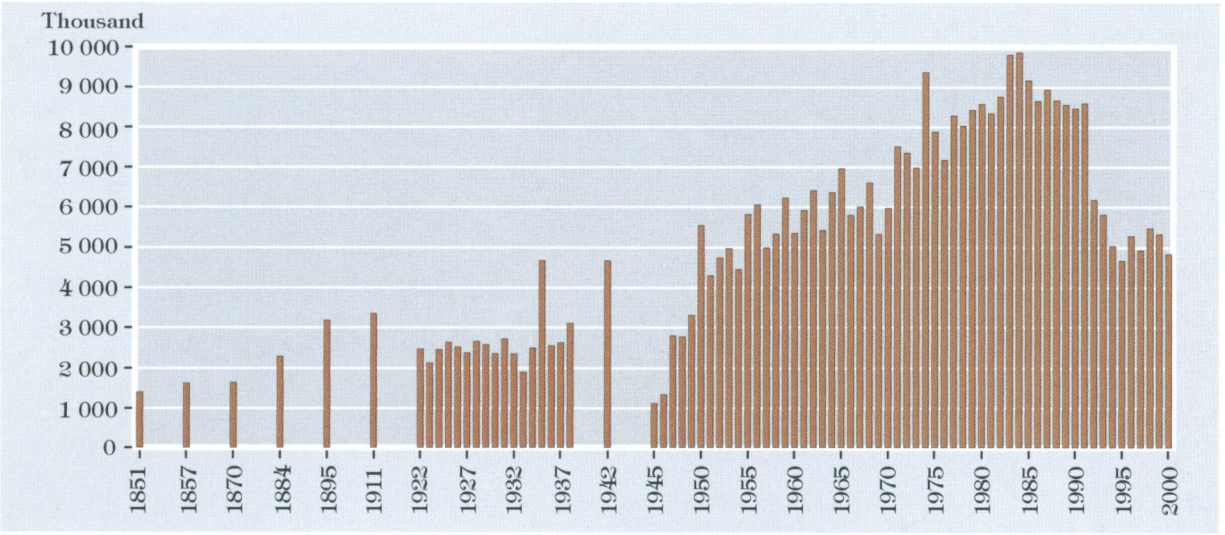
per cent

Land-use categories	Enterprises	Cooperatives	Private farmers	Other	Total
Arable land	24.3	20.5	52.4	2.8	100.0
Garden	0.3	0.0	66.0	33.7	100.0
Orchard	18.0	4.2	75.5	2.3	100.0
Vineyard	6.3	2.0	89.0	2.7	100.0
Grassland	18.4	11.5	50.6	19.5	100.0
Total agricultural area	22.4	18.0	53.3	6.3	100.0
Forest	56.9	6.7	36.4	0.0	100.0

Cattle stocks



Pig stocks



There were between 2.5-3 million pigs between the two world wars. This rose by a factor of two-three in the post-Second World War years, but levelled at around 5 million in the nineties.

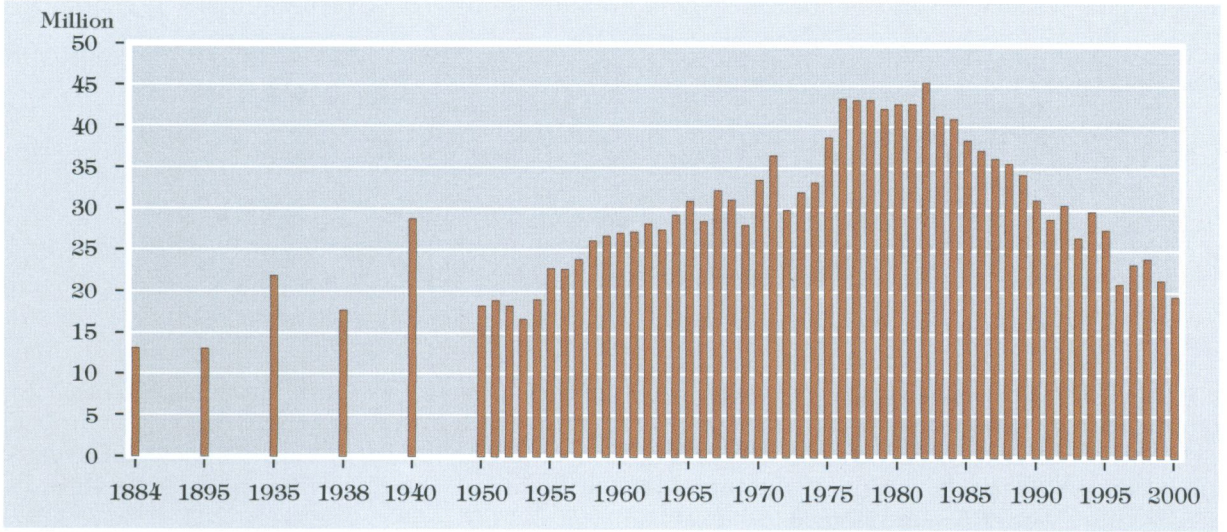
Poultry stocks consist mainly of chickens. Poultry has established a rising presence in both meat production and consumption in the last few decades. Stocks have declined in recent years, but the amount of poultry meat produced from it has stayed almost constant.

Mature poultry stocks

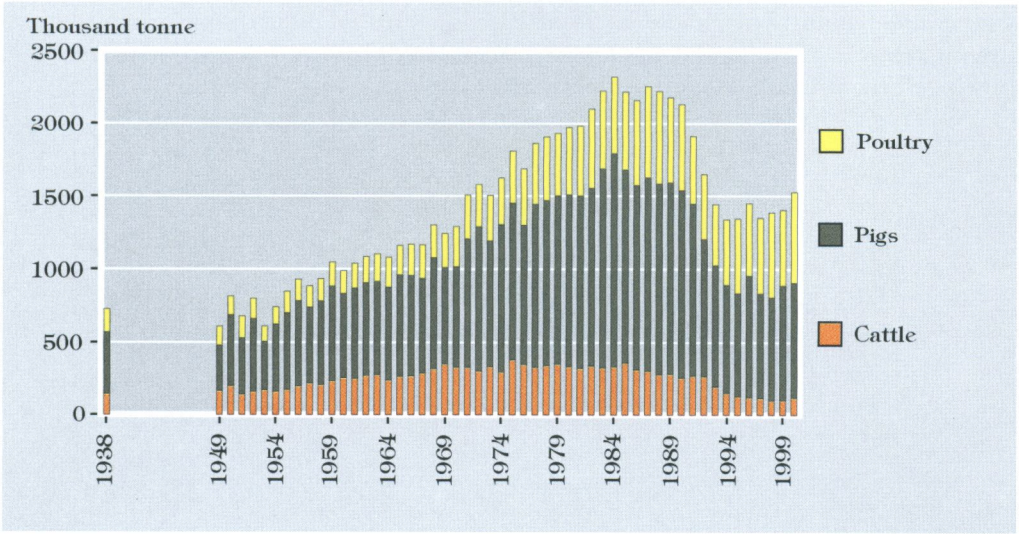
(million birds)

Year	Chickens	Geese	Ducks	Turkeys	Total
1935	17.9	2.3	1.4	0.4	**21.9**
1950	16.4	1.0	0.9	0.2	**18.5**
1980	40.0	0.8	1.7	0.2	**42.8**
1990	28.4	0.9	1.4	0.4	**31.1**
2000	17.0	1.0	0.7	0.8	**19.5**

Mature poultry stocks



Production of main slaughter animals



Of other species of livestock, the largest in number was and is sheep. The 3.3 million head in 1960 fell to 1.1 million by the turn of the millennium. The number of horses fell from 900,000 in 1942 to 75,000 in 2000, a figure which expresses the passing of the horse as an important element of agriculture with the spread of mechanization. From time to time, there are substantial rises in the number of goats.

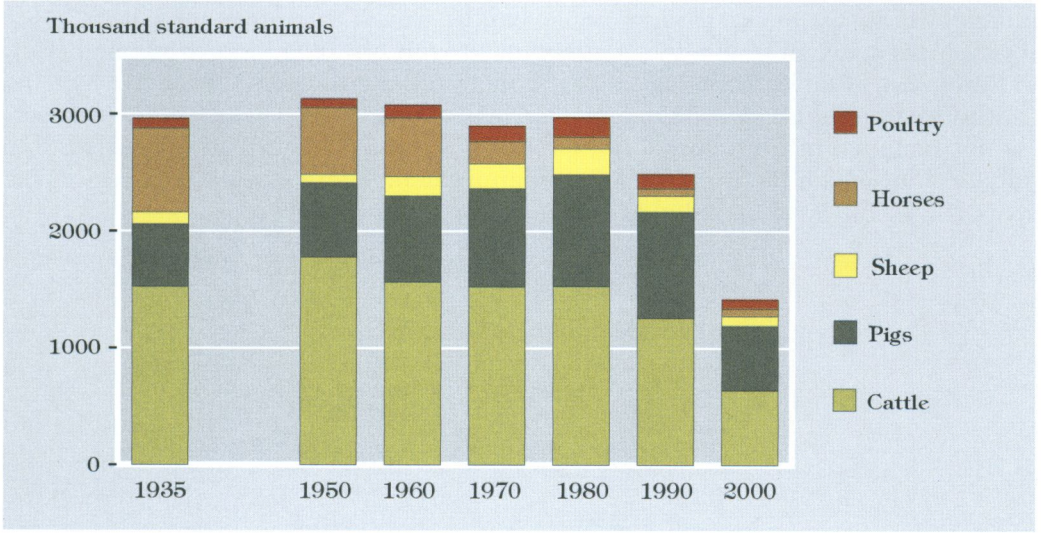
Numbers of other livestock

(thousand heads)

Year	Horses	Sheep	Goats	Donkeys	Mules	Buffaloes
1935	885	1450	39.4	3.9	1.1	7.1
1950	712	1049	149.1	5.8	1.7	3.4
1980	120	3090	15.0	3.8	0.3	0.1
2000	75	1124	106.0	3.6	0.1	0.2

The overall number of livestock - expressed in standard animals - was similar in 1980 to that in 1935, although in the meantime there were occasions when it fell much lower (in 1946-1947) and climbed much higher (in the 1950s and 1960s). In the last decade and a half the number of every species of livestock has fallen, most markedly that of cattle. At the turn of the millennium, there were not quite half (48%) as many livestock as there were 65 years before.

Livestock numbers and distribution



Among wildlife, small animals have become much fewer in number over the last three decades, but large animals are considerably more numerous.

Wild animals

(thousands)

Wild animal	1970	1980	2000
Hare	937	706	514
Pheasant	1 277	1 838	789
Partridge	585	174	66
Red deer	33	37	78
Fallow deer	2	6	22
Roe deer	141	185	292
Moufflon	2	5	11
Wild boar	16	20	76

Total agricultural output was 34-35% higher at the end of the 20th century than the average over the years 1934-1938, but 30-32% short of the 1984-1988 average.

Industry and construction

The beginnings of industry in the modern sense can be traced to craft manufacture. Alongside, with a history of many centuries, are mining and its offshoot, metallurgy. The picture became complete with the appearance and progress of manufacturing industry, as in other countries, in the 19th century.

The first authoritative figures on Hungary's artisans date from the national tax census of 1828. Transylvania is not included in the figures, but Croatia-Slavonia is. There were nearly 8.5 million inhabitants in this territory, of which 94,736 (1.1%) were craftsmen. There are also figures on the trade affiliation of two-thirds (62%) of those included in the census.

The commonest trades

Trade	Proportion, %
Bootmaker	12
Miller	11
Tailor	8
Weaver	7
Smith	7
Shoemaker	6
Wheekwirght and butcher	3 each

In the course of the 19th century, as mining and manufacturing developed, the number of workers in artisan industry also increased.

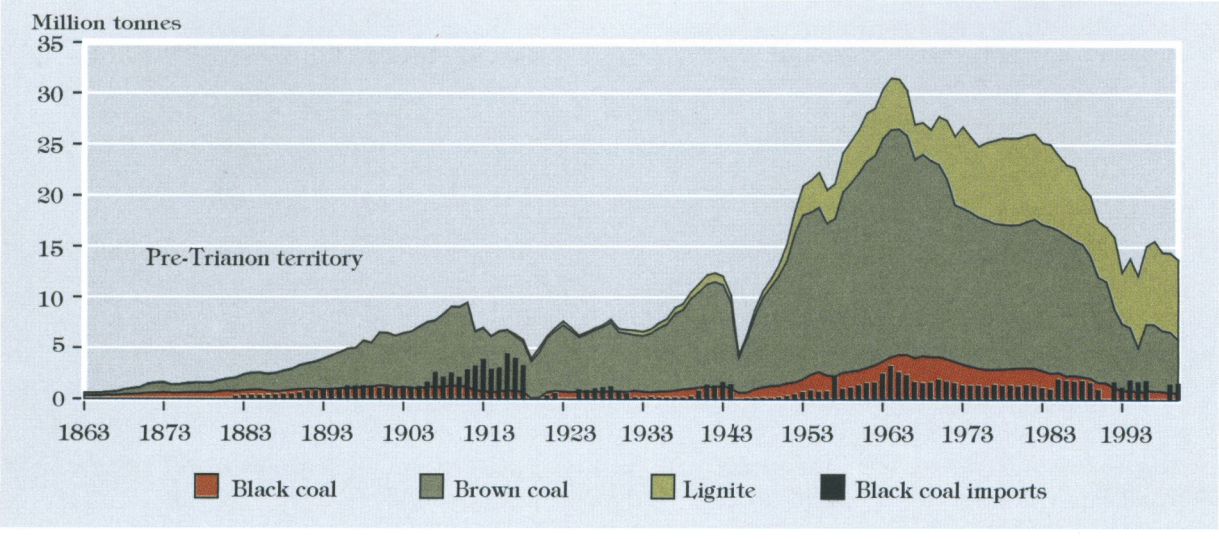
Numbers working at the turn of the 19th and 20th centuries (in 1900) were: in artisan industries 215,000; in mining 70,000; in factories 212,000.

Artisan industries remained prominent even in the first half of the 20th century. In 1938, some half of all industrial workers, 405,000, or 336,000 discounting apprentices, worked in artisan industries, and this sector generated one-tenth of the national income.

Mining and metallurgy in the 14th-16th centuries were significant mainly in the extraction and production of precious metals. At this time, Hungary was a leader in gold mining. This was followed by the development of coal and ore mines. The number of workers in the sector grew from 47,000 in 1871-1875 to over 84,000 in 1913, in which time coal mining output rose from 1.5 million to 8-9 million tonnes, and iron ore extraction grew by a factor of almost six.

The Trianon Peace Treaty caused many mining areas to pass to the "successor states". There were 46,000 miners in 1921. Output of both black and brown coal declined, but the greatest fall was in iron ore extraction. New growth came from the start of bauxite mining, the re-annexation of territory, and the war boom.

Extraction of coal of various types and imports of black coal



The great historical name in statistics in Hungary, Elek Fényes, noted the existence of 528 factories in 1847, employing 23,000 workers, so that the average number workers in one factory was 44. Large scale industrial development took place in the second half of the 19th and in the century decade leading up to the First World War. In 1900, there were 2049 factories employing more than 20 workers, the average number being 104, and the total 212,000.

This number rose by more than 180,000 (85%) in the following ten years. Calculations estimate that of the around 400,000 manufacturing industry employees in 1910, 227,000 (58%) worked in the territory of the country that remained after Trianon. The former number was surpassed two decades later, in 1929. Another downturn came with the economic crisis of 1929-1933, but after the recovery, industry's demand for labour grew rapidly and the average number of employees in 1938 was more than 340,000, by 50% higher than three decades previously.

In the last year of peace, 1938, 47% of industrial workers worked in artisan industry, 6% in mining and 47% in manufacturing.

31% of manufacturing workers were women. In the classification of the time, most were semi-skilled and machine workers, in which category - and that of young workers - there were more women than men.

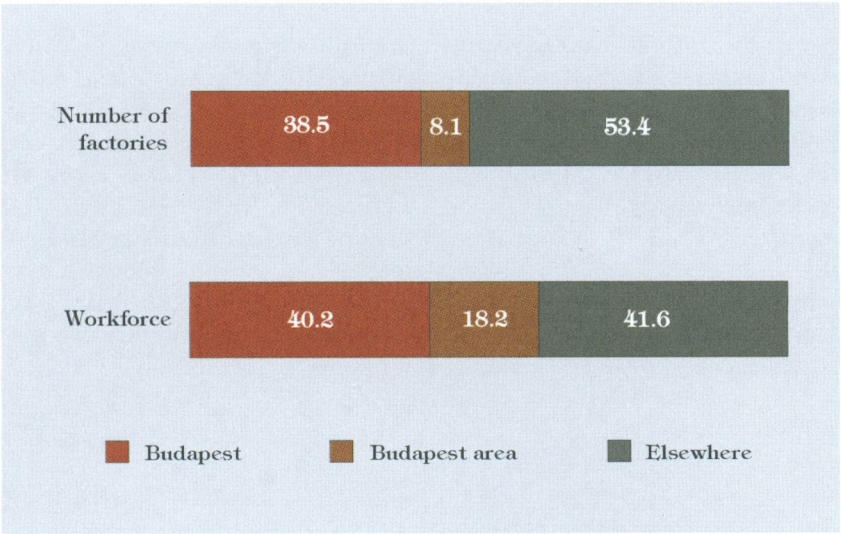
Manufacturing employees in 1938
(on 1 October)

Position	Men	Women	Total
Factory manager	4 871	291	5 162
Office-bearer	22 413	8 220	30 633
Foreman	4 586	89	4 675
Skilled worker	80 432	10 450	90 882
Semi-skilled and machine worker	62 039	64 418	126 507
Labourer	41 644	16 094	57 738
Young worker	6 284	7 845	14 129
Apprentice	9 713	634	10 347
Servant	11 599	1 295	12 894
Total	**243 631**	**109 336**	**352 967**

Prior to the Second World War, manufacturing industry was intensely geographically concentrated. In 1943, 47% of factories operated in and around Budapest, employing 58% of workers.

The largest branch of manufacturing industry in 1938 by value of product was food processing, and by number of employees, textiles.

Location of factories, 1943
(percentage distributions)

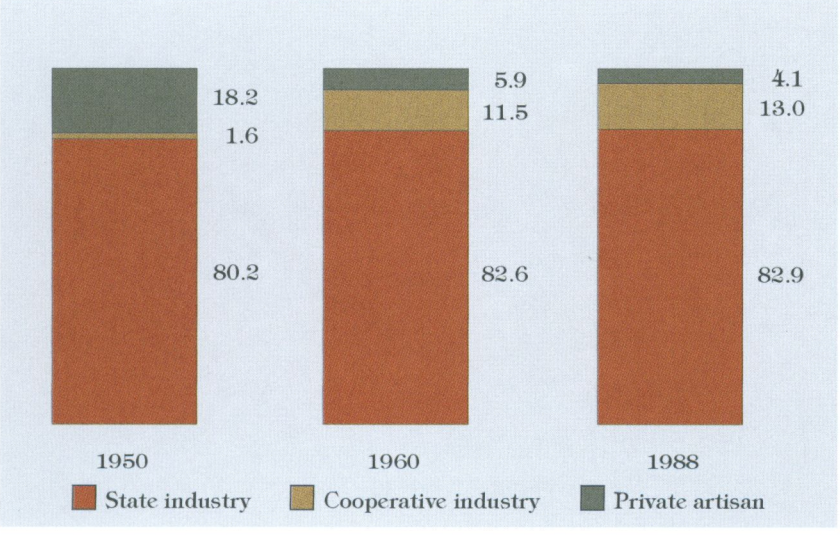


Main sections of manufacturing industry in 1938
(in order of number of employees)

Branch of industry	Percentage share	
	of workers	of production value
Spinning and weaving	22.2	15.3
Iron and metallurgy	17.6	14.1
Engineering	14.0	9.8
Food	11.8	30.5
Building materials	10.3	3.6
Chemicals	5.7	9.6
Total	**81.6**	**82.9**

The years following the Second World War brought nationalization of the banks, the mines, later the industrial corporations and, in the final phase, small companies and factories employing more than 10 people. A large proportion of self-employed artisans were quickly organized into cooperatives at the beginning of the 1950s. Their numbers fell from 180,000 in 1948 to 46,000 at the beginning of 1953, in parallel with the rise - although initially smaller - in the numbers of cooperative members and employees.

Distribution of industrial employees by sector, %



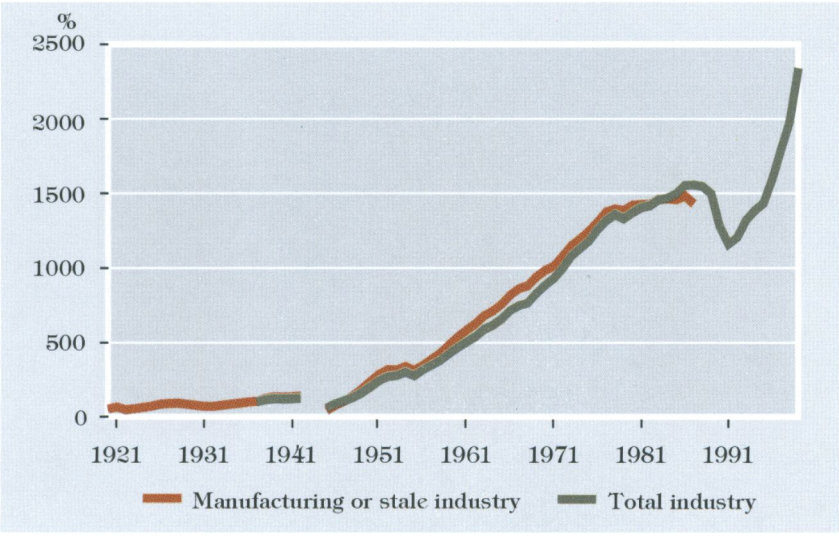
The change of system that took place at the end of the 20th century brought privatisation throughout the economy, and an upsurge of both domestic and foreign capital in industry. Public (state) ownership - calculated by gross added value - contracted to one-fifth of industry as a whole, and one-tenth in mining and manufacturing.

Distribution of gross value added in industry, 1999

	Mining	Manufacturing	Electricity, gas, steam and water supply	Industry total
Gross value added, billion HUF	28.4	2 340.2	389.2	2 757.8
Distribution by ownership subsector, %				
public	9.2	10.3	89.3	21.4
domestic private	57.8	37.4	6.1	33.2
foreign	33.0	52.3	4.6	45.4
Total	100.0	100.0	100.0	100.0

By 1938, despite the slump of the crisis years, manufacturing output was over twice the 1921-1923 average. In the following years, both manufacturing and metallurgy grew relatively quickly, but after the collapse of 1944-1945, industrial production in 1946 was under 60% of the 1938 figure. Recovery was fast, and production regained the immediate pre-level in 1948, and surpassed it by 55-60% in 1950.

Industrial production
(1938=100)

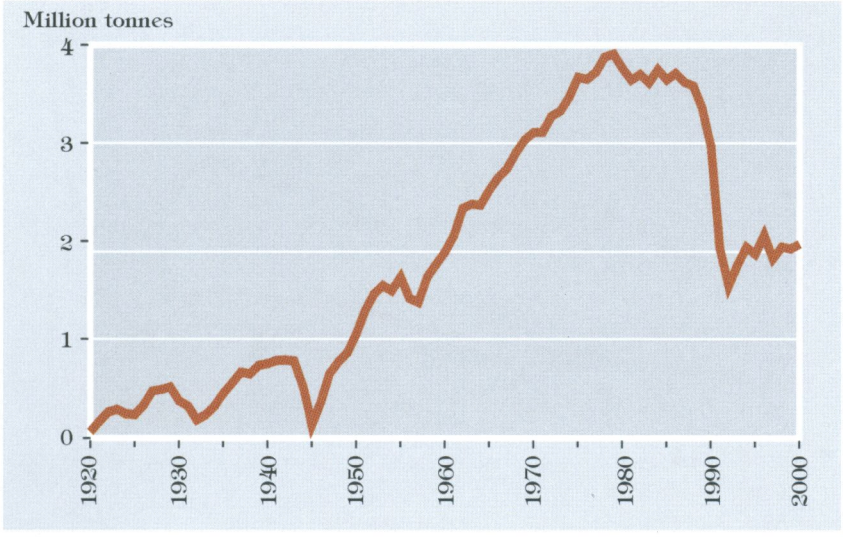


In the second half of the twentieth century, despite occasional setbacks, total industrial production grew by a factor of nearly fifteen.

The number of industrial employees in the first twenty years of the period (up to 1970) more than doubled, and in the next few years fluctuated around 1.7-1.8 million. From 1976, there was a decline in the number of industrial workers, slow at first but accelerating in the nineties, then stabilizing in the second half of the decade, one or two years actually showing a rise. In 2000, there were 1.03 million people working in Hungarian industry. One hundred years before, there were only half that number working in industry throughout the territory of Hungary at that time, and one-third in its modern territory. There are 25-30% more people working in industry now than in 1950.

In the first decade of post-war industrialization, the emphasis was on metallurgy. Owing to the country's scarcity of raw materials and energy sources, this demanded much importing and the rapid exploitation of domestic mineral resources. From the sixties onwards, this branch of industry grew at a more modest rate than the average, and as one of the prime victims of the early-nineties slump was forced into fundamental transformation.

Steel production



The various branches of the engineering industry, in terms of their size and growth rate, have been central to the progress of manufacturing industry as a whole. The structure of the engineering industry has constantly changed over the decades, but manufacture of instruments and communication products have always been at the forefront. After the changes of the last decade, three-fifths of engineering output is manufacture of electrical machines and instruments - including office machines and computers and communication products. Vehicle production now takes a substantial share, while machinery and equipment have shrunk in importance. Engineering output and exports grew remarkably after the industries restructured.

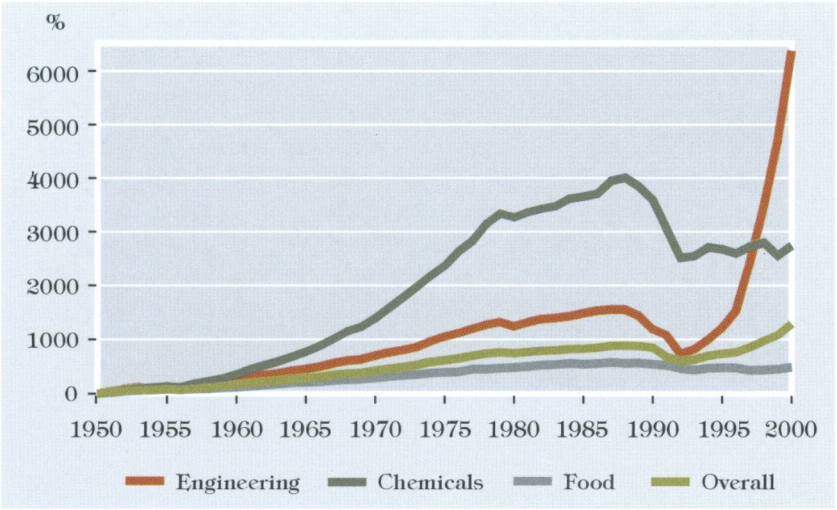
The volume of engineering production in 2000 was five times that of ten years before, and nearly eight times that of the 1992 nadir.

The other large and rapidly-developing industry in the second half of the century was chemicals. It flourished particularly in the 60s and 70s, when its output rose by a factor of seven over twenty years. At the turn of the eighties and nineties, the industry's output fell and has been fluctuating around the same low level since then.

Food processing is traditionally one of Hungary's largest industries. At the end of the 19th century it contributed 47% of Hungarian industrial output. The modest growth since then, marked by many setbacks, has resulted in a contraction relative to industry as a whole, but it still accounts for one-seventh of industrial output, and occupies third place in the ranking of industries.

The three largest industries (engineering, chemicals and food) together made up 72% of Hungarian industrial production at the turn of the millennium.

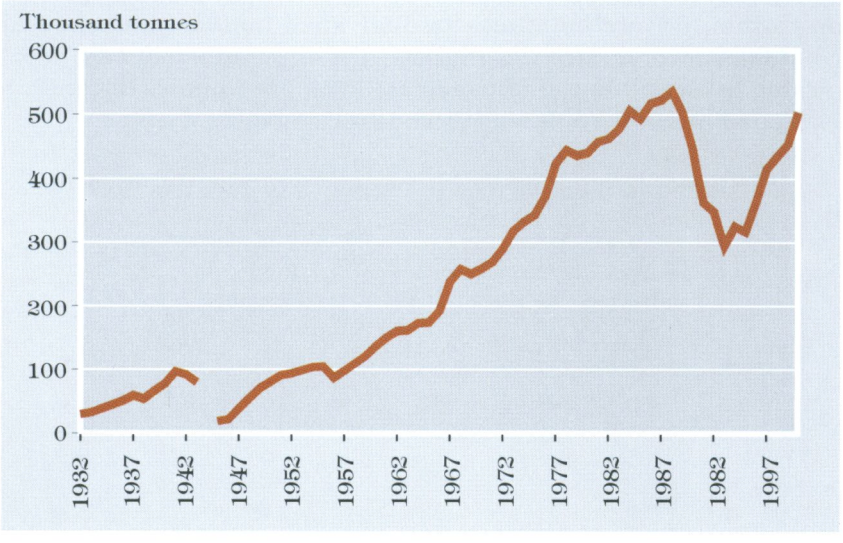
Production in the main branches of industry and overall
(1950=100)



The star performer among light industries in the inter-war period was the textile industry. Its 13,000-strong workforce of 1921 swelled to 64,000 (22% of manufacturing employees) by 1938. The growth continued up to the late sixties, peaking at 121,000 in 1968, after which it began a decline which has taken the number to under 30,000 today.

A similar path was followed in the second half of the century by most other branches of light industry: after major expansions in workforce and output, declines of various extents took place in the last one-and-a-half to two decades of the century. At present, light industry accounts for 8-9% of industrial production, and employs 22% of industrial workers.

Paper and board production



Shares of workforce and output among branches of industry, 2000

Branch	Percentage distribution of	
	Employees	Production
Mining	0.8	0.5
Manufacturing	90.5	90.6
Food, beverages and tobacco	14.7	13.8
Total light industry	21.8	8.5
Total chemicals	9.6	15.1
Other non-metal mineral product manufacture	3.7	2.4
Metal raw materials, metal manufactures	9.0	7.3
Total engineering	28.4	42.3
Other manufacturing industry	3.3	1.1
Electricity, gas, steam, and water supplies	8.7	8.9
Total industry	100.0	100.0

The construction industry employed 90–100,000 people between the wars, mostly involving artisan methods. After the war, large state construction enterprises and later construction cooperatives were set up to carry out the large-scale industrial, housebuilding and modernization projects of the time. Building became more and more mechanized. Construction gradually became a large-scale industrial operation, typified by the emergence of pre-fabricated housing.

As well as construction enterprises, other organizations also carried out building using their own resources, and still do. In the boom years, the workforce and output of these projects also grew substantially. And in addition to this, private building - by individual builders and the public - also increased, involving an estimated 100,000 workers in the 1970s.

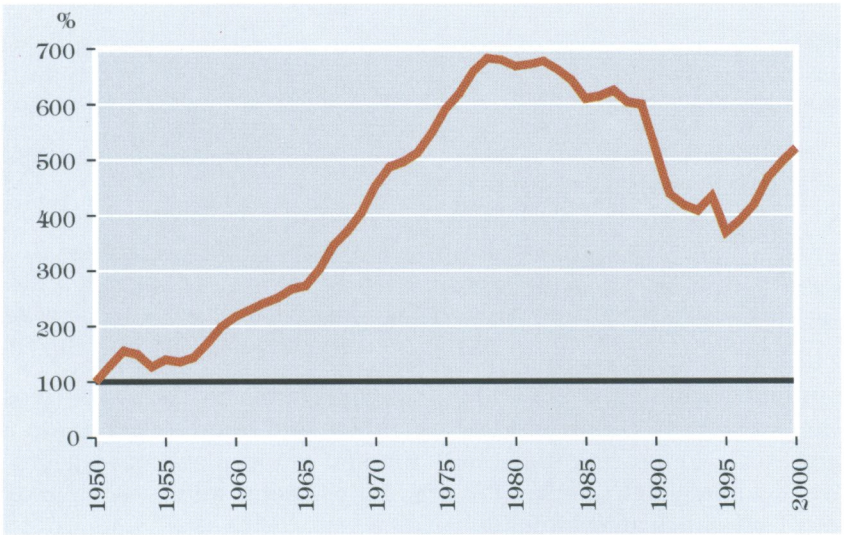
When the upswing came to an end in the nineteen eighties, the number of construction workers gradually fell. The process stopped in 1999-2000, and a modest rise began.

Numbers of employees in branches of construction

(thousands)

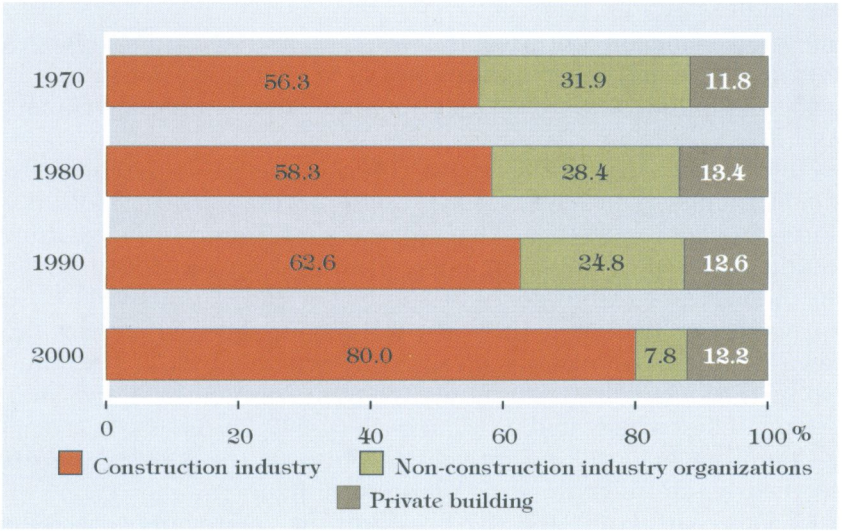
Year	Construction industry	Non-construction organizations	Private building	Total
1950	128	30	40	198
1960	137	80	79	296
1970	192	157	97	446
1980	178	164	107	449
1990	181	84	60	325
1998	118	11	53	181
1999	129	12	48	189
2000	136	13	41	190

National construction activity volume index
1950=100



The national construction volume index grew by a factor of nearly seven from 1950 to 1979, and after some years of stagnation declined up to 1995. Output grew by 40% in the last five years of the century, and in 2000 stood 5.2 times higher than half a century previously.

Distribution of national construction activity



The share of construction industry companies in national construction output rose at an accelerating pace, and that of non-construction organizations fell. The proportion of private building surpassed 15-16% in the mid-nineties, but had receded to the 1990 level by the end of the decade.

Transport

Until the 19th century, the public road network that provided surface transport in Hungary was neglected and in poor condition. In rainy weather, about half the country became a swamp. Of the public highways, only those leading to the coast and those crossing mountain ranges could be used on a permanent basis, and the roads maintained by the counties and municipalities consisted mostly of wagon tracks repaired by public works labour. A trader's cart on the way to Miskolc could take three days to make the ten-kilometre stretch between Hatvan and Csány.

After remaining almost the same for centuries, the first, and perhaps still the biggest change in transport was brought by the railway. Replacing those ancient means of transport, the cart and the postal carriage, it effected over a few decades a fundamental transformation that extended beyond transport to the whole economy and people's way of life.

Rail transport started with trains hauled by horses. The first horse-drawn railway in Hungary was set up in 1827 between Pest and Kőbánya, but closed down the following year. In 1840, it was possible to travel from Bratislava to Szentgyörgy and in 1846 to Nagyszombat and Szered by horse-drawn railway. At the end of the 1870s, 5 railway companies were operating horse-drawn railways over a distance of more than 100 km across the country, but the network shrank to 70-80 km by the end of the 1880s.

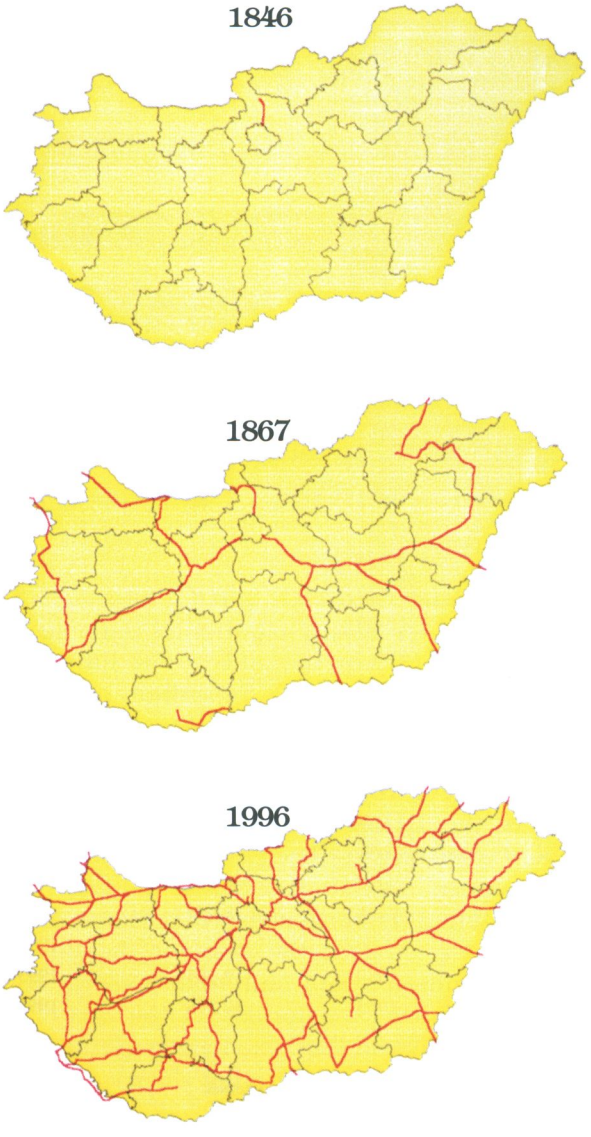
After its first demonstration in Britain in 1826, the rail-mounted steam engine started up regular services in 1830. Trains drawn by steam locomotives on the continent ran first in Belgium in 1830, and the first in the Austrian Empire in 1838. The first railway in Hungary, between Pest and Vác, was opened in 1846, over a distance of 33.6 km. The country had a rail system of 222 km in 1850, 1615 km in 1860 and 2283 km in 1867. After the Compromise, development accelerated until the country was criss-crossed by 21,500 km of railways in 1913 (nearly ten times the pre-Compromise figure).

After the First World War, only about 40% (8705 km) of the railway network remained on the territory of Hungary, and a large number of the railway junctions fell outside its borders. Practically no new lines were built between the wars. The railways suffered enormous damage in the Second World War, the loss estimated at around 70%. After restoration, progress was slow. It consisted mainly of rebuilding tracks and modernizing locomotives, and from the end of the 1960s, low-traffic lines were closed down. The total length of railway lines is now exactly 7900 km.

Railway electrification started before the Second World War, but only gained momentum at the end of the 1960s. More than one-third of lines are now electrified, and since these are the busiest lines, they account for a much higher proportion of traffic. The other historic change during the period was the gradual elimination of steam traction. Having brought about a revolution some 150 years previously, steam locomotives were finally withdrawn from service at the end of the 1980s and nowadays only feature as museum pieces.

The coming of the railway greatly increased the speed and brought down the cost of transport. The 270 kilometre route between Budapest and Vienna took 57 hours by horse cart and 30 hours by express post carriage. When the direct railway link was established, the travel time fell to 6 hours, and the travel time of express trains running at the turn of the century was four and a half hours. The post carriage cost 14.54 forints, whereas Hungarian State Railway (MÁV) charged 11.20 forints for first class passengers, 6.80 forints second class, and 4.20 forints third class. At the turn of 2th and 3th millenium the journey time between Budapest and Vienna is 2 hours 40 minutes.

Network of railways

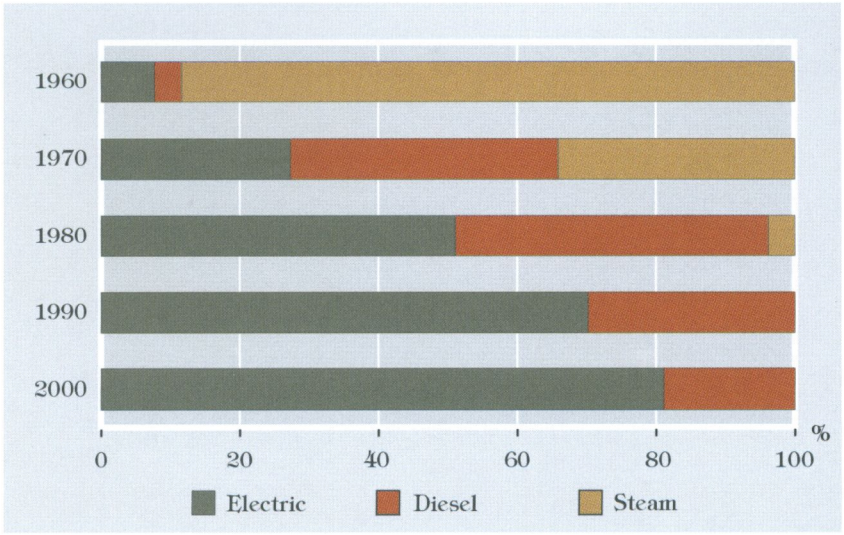


Note: In 1996 including express trains' links, Győr-Sopron-Ebenfurt link, and excluding other and narrow-gauge railway links.

Proportion of electrified railway lines

Year	Proportion, %
1938	3.5
1954	3.4
1960	4.6
1970	8.9
1980	18.8
1990	28.0
2000	34.4

Distribution of railway traction



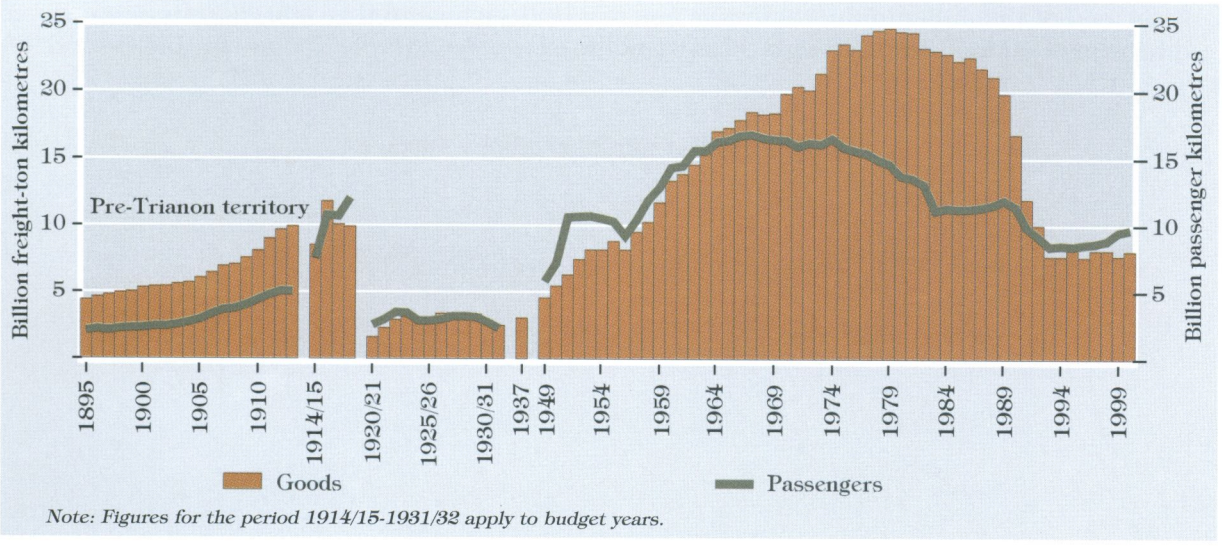
The railway carried 2 million passengers in 1867 and 4.6 million in 1870 (the horse-drawn railway some twice this number). In comparison, it should be mentioned that the number of post-coach passengers in 1870 was 58,000, falling to around 10,000 by the mid-1880s. Railway passenger traffic was 10 million in 1881, 64 million in 1900, and 166 million in 1913. 14 million tonnes of goods were transported in 1881, rising to 43 million by the turn of the century and 87 million by 1913.

Between the two world wars, operating on much-reduced national territory, the railway carried much less traffic. After the Second World War, there was a rapid rise which lasted until the end of the 1960s for passenger traffic and the end of the 1970s for goods. Subsequently, both passenger and goods traffic declined, and then stabilized at a relatively low level in the last decade of the millennium. Much of the traffic shifted to other forms of transport.

Construction of the railway system did not dispense with the need to upgrade the roads, although it did temporarily diminish its significance. And at the start of the 20th century, a new form of transport appeared, the automobile, which required a well-built and dust-free road system.

The country's road network extended considerably at the end of the 19th century. Between the two world wars, and then after the Second World War, the length of the public highway networks in the respective territories of the time increased only slightly, so that the road density (roads per thousand square kilometres) in 2000 was about a quarter higher than in 1910. The road surfaces had been considerably upgraded, however: what were previously macadamized or unmade roads were gradually surfaced with asphalt. The proportion of main highways even in 2000 was still under a quarter of all public roads, and of this, only 448 km were motorways. (In most European Union countries the road density is several times Hungary's, and in neighbouring Austria, the total length of motorways in 1998 was 1619 km.)

Railway goods and passenger traffic



Note: Figures for the period 1914/15-1931/32 apply to budget years.

Public road network

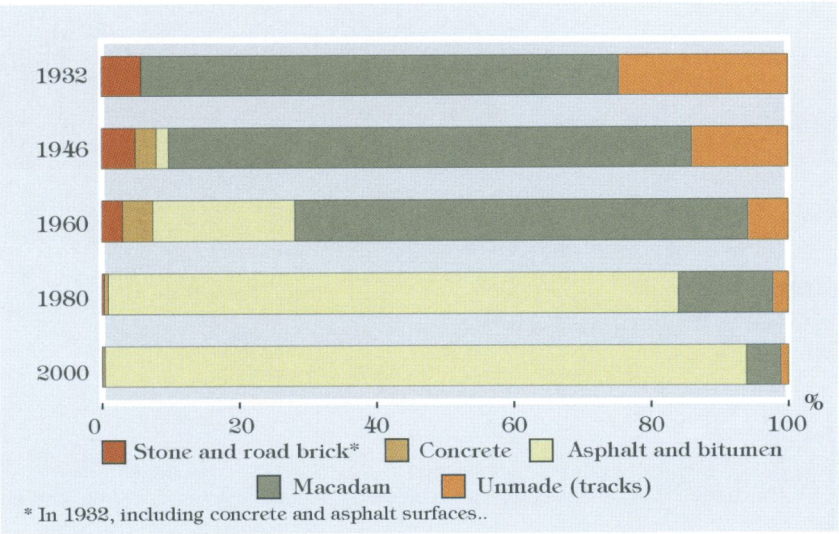
(Km)

Year	Lenght of public road system (in the territory of the country at the time)	Road density (road system per thousand km^2)
1890	39 482	121
1900	72 904	224
1910	73 981	262
1920	27 558	296
1930	27 253	293
1946	31 237	336
1950	28 278	304
1960	29 041	312
1970	29 546	318
1980	29 759	320
1990	29 741	320
2000	30 307	326

Public road vehicles'stock, apart from a transitional decline during the economic crisis years, proliferated quickly from the mid 1920s. After the widespread destruction of the war, buses and goods vehicles were replaced quickly, and overtook their pre-war numbers at the end of the 1940s. For passenger cars, however, the same point was reached only at the end of the 1950s, after which growth was rapid, although

the increase in numbers was not accompanied by qualitative upgrade at a similar rate, and more and more technically obsolete, high-consuming and environmentally contaminating vehicles were still running on the roads. By the end of the millennium, there was a perceptible change in the right direction, but the average age of vehicles in 2000 was still very high: 11.8 years for passenger cars, 12.1 years for buses, and 9.4 years for goods vehicles.

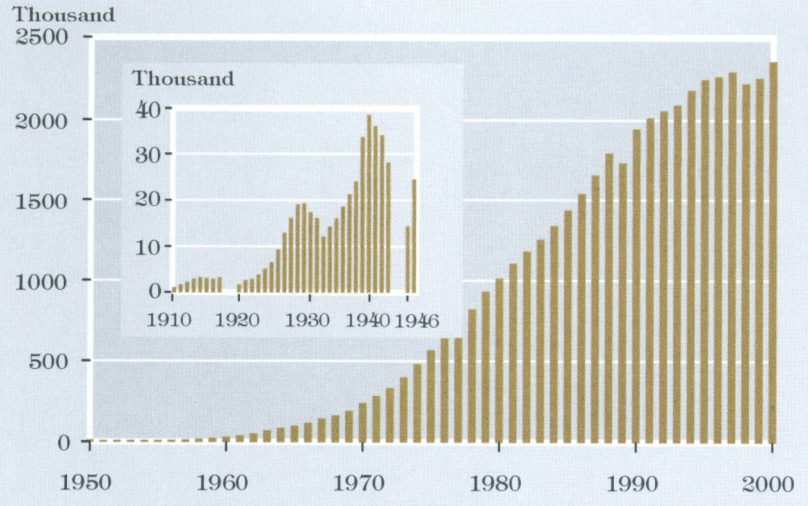
Distribution of public roads by surface



* In 1932, including concrete and asphalt surfaces..

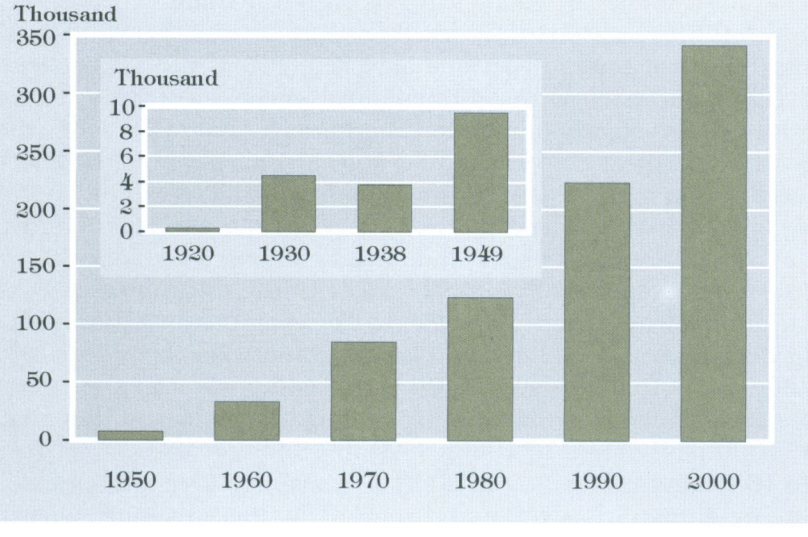
The "greatest Hungarian", István Széchenyi, wrote his name into the history of nearly every branch of transport. Perhaps his greatest accomplishment was the Chain Bridge, opened in 1849, which established an all-weather link between the lands on each side of the Danube. By the end of the century, two further bridges (Margit and Ferencz József Bridges) had been built, and the Erzsébet Bridge was opened to traffic shortly after. Two more road bridges were built in Budapest between the two world wars, but all of them were blown up at the end of the Second World War. Restoration started quickly, and was completed with the opening of the Erzsébet Bridge in 1964. There are now seven road bridges carrying traffic between Buda and Pest, and a further three bridges across the Danube both upstream and downstream of the capital. Railway traffic across the river in Budapest is carried by bridges in the north and south of the city, built at the end of the 19th century. Three other rail bridges were built at the beginning of the 20th century, of which the Gombos Bridge lies outside the post-Trianon territory of the country.

End-year number of passenger cars

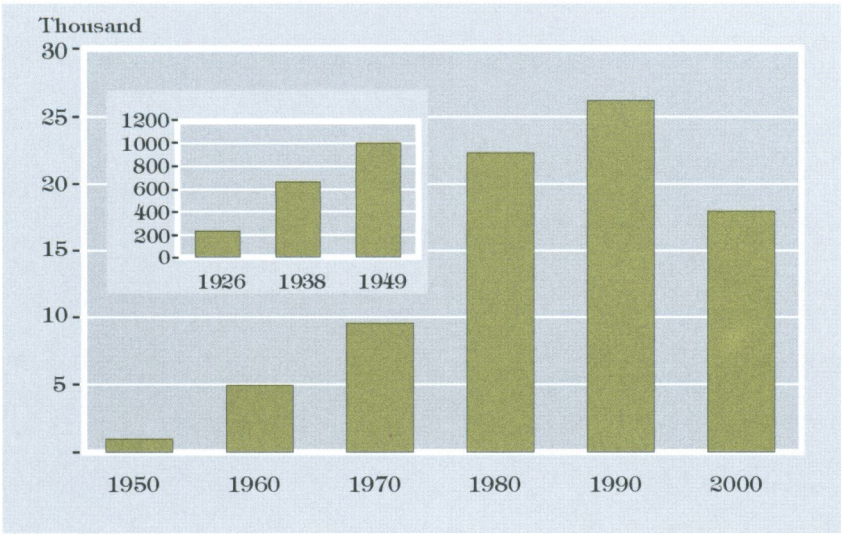


Note: In 1998, the Data Processing Office of the Ministry of the Interior reduced the vehicle register by the number of vehicles previously withdrawn from service.

End-year truck number



End-year number of buses



From the 1920s onward, increasing traffic of persons and goods took to the public road. Mechanized vehicles delivered to their destinations goods weighing a total of 543,000 mázsa (100 kg) in 1926, 2.3 million in 1930, and 4.6 million in 1938. (This was equivalent to only a fraction of railway goods traffic - less than 2% in 1937.) Real progress in road transport took place in the second half of the 20th century. In the middle of the 1950s, 50 million tonnes of goods were delivered by haulage enterprises and cooperatives, and 4.5 times more than that 30 years later. Goods transport by non-transport (industrial, agricultural, etc.) organizations using their own vehicles became significant from the 1960s, and the weight of goods they carried in the mid-1980s approached that of haulage enterprises. Private haulage was permitted in 1982. The large enterprises that formerly dominated the industry gradually split up from the mid-1980s, and there was a rash of new transport companies and sole proprietorships. In 2000, the performance of road goods transport expressed in tonne-kilometres was divided 70-30 per cent between the haulage industry and enterprises in other industries. The latter were stronger in short-haul deliveries, their figure for medium-haul being about a half that of transport industry enterprises.

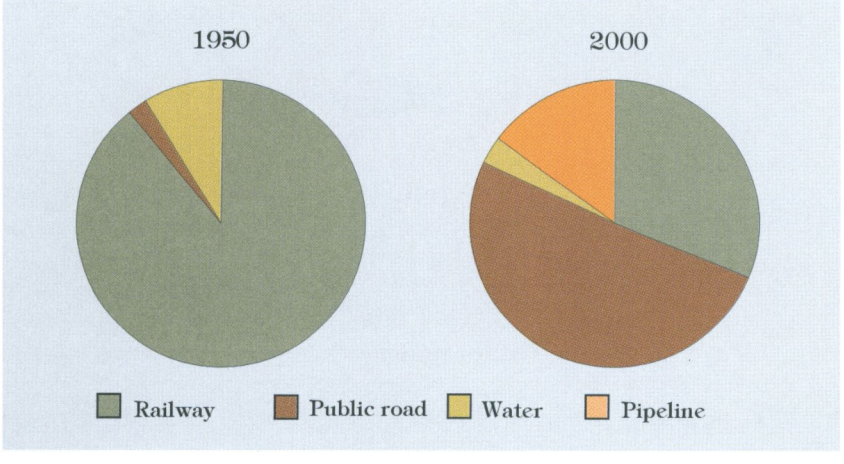
Scheduled omnibus services were initially only for local traffic, but their long-distance role gradually increased. In 1938, 17.6 million passengers were carried by long-distance buses, 6 times the number in 1927. 111 million passenger journeys were made on long-distance bus services in 1955 and 710 million in 1980, falling to 574 million in 2000. Buses are relatively more important in short-distance travel, the average travel distance at the end of the millennium being 20 km, about one-third of that for railways.

Air transport carried 1600 passengers in 1923, 8000 in 1930 and 28,000 in 1938. 52,000 passengers travelled by aeroplane in 1950, and 2.5 million in 2000. The average journey distance was 200 km in 1950, and 1430 km in 2000. Air transport accounted for 14% of long-distance passenger travel in 2000,

expressed in passenger kilometres, and the proportion of international travel was nearly 80%. Initially serving luxury demands, the aeroplane has become the indispensable form of transport for longer-distance tourist and business travel.

Public transport in the expanding cities was provided by tramways from the last third of the 19th century. The first form of transport was the horse-drawn tram. The metropolitan system that came about with the unification of Pest, Buda and Óbuda was built up between 1866 and 1876. (By 1898 it had been eliminated from the city's transport, and horse trams only remained on Margit Island, up to 1928.) The first electric tram in Budapest set out in 1887. The line connecting Nyugati Station with Király utca was quickly joined by others. Another important milestone in the capital city's public transport was the Ferencz József underground railway built in the millennium year, which was the first electric-traction underground railway in continental Europe.

Distribution of goods transport
(by freight tonne-kilometres)

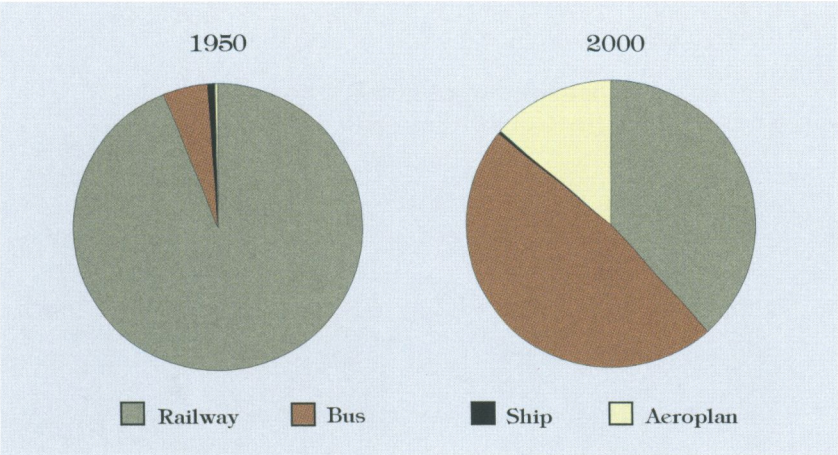


In 1887, nearly 15 million passengers were carried on tramways in the territory of the Hungarian Empire, on tracks of total length 74 km. By the turn of the century, both the length of track and the number of passengers had multiplied. The following years, up to the outbreak of the First World War, saw a more modest expansion of the system, but a continued rapid rise in the number of passengers. In 1912, public transport in Budapest was controlled by seven companies: the Buda hill track, the Budapest Ferencz József underground railway, the Budapest Svábhegy cogwheel railway, the Budapest St. Margit Island horse-drawn tramway, the Budapest city tramway, the Budapest electric tramway, and the Budapest-Újpest-Rákospalota tramway. Between the wars, on the territory of the country of the time, passenger traffic rose further on track of essentially constant length.

From the 1920s, motorization also began in local public transport. Scheduled services by omnibuses fitted out for passenger transport carried 7.9 million passengers in 1927, 24.7 million in 1930 and 36.4 million in

1938, the latter equivalent to one-tenth of tram passenger traffic. From the 1950s onwards, several hundred million journeys were made on local bus services, and in 1971 the number of passengers passed 1 billion, including trams and trolley buses. The increasing prevalence of bus transport derived partly from the fact that more and more towns large and small had public transport involving buses only. In addition, tram services were discontinued in some large towns and gave way to buses. Buses also became more prominent in metropolitan public transport, for which an important milestone was the opening of the Budapest Metro in 1970.

Distribution of long-distance passenger transport
(by passenger kilometres)

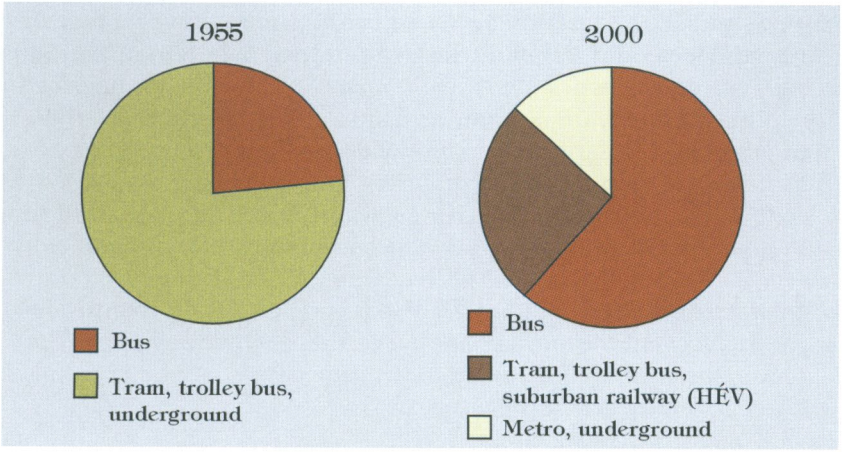


Urban railways*

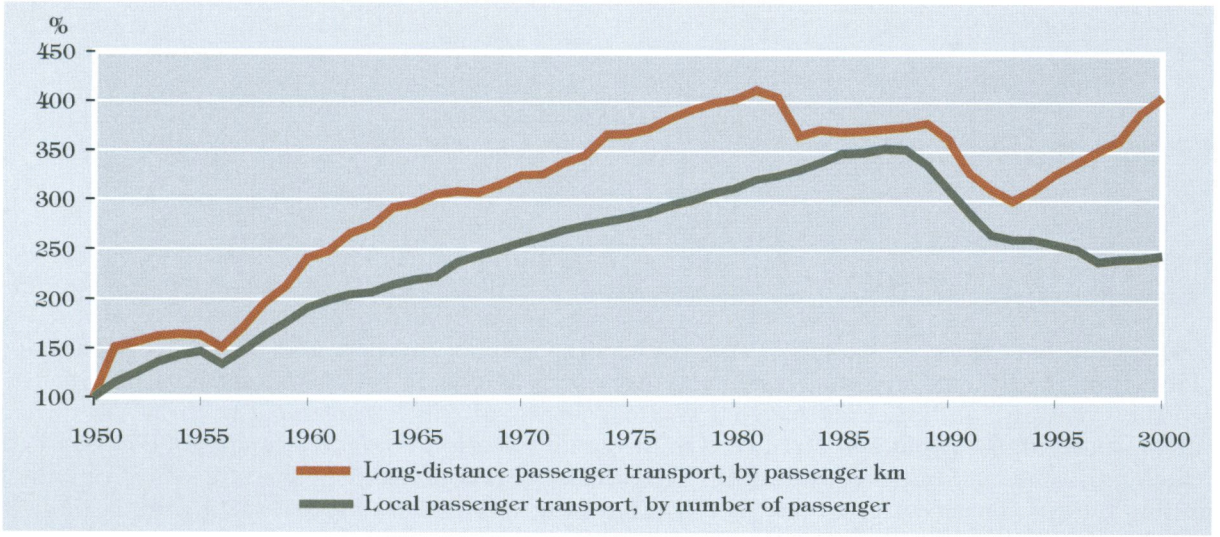
Year	Number of lines	Track length, km	Passengers carried, million
1887	5	74	14.7
1890	14	110	25.8
1900	26	252	77.9
1913	28	368	268.1
1923	11	263	235.0
1930	10	258	317.9
1938	10	257	325.3
1943	11	304	645.3
1945	10	269	237.6
1948	10	270	580.6

* 1887-1913 data concern the territory of the country in that period.

Distribution of local public transport



Public transport



The rise in travel demands pushed up local public transport traffic until the mid-1980s, when a steep decline started that only showed signs of levelling out at the turn of the millennium. The downturn took place some decade earlier in long-distance transport, but it recovered somewhat in the 1990s. There was a substantial shift in traffic from public transport to the passenger car for both long-distance and local journeys.

Telecommunication

There was a state-run postal service in Hungary even in the time of St Stephen. Under a law laid down by St Ladislaus, the king's courier could demand the use of anybody's horse, and later the municipalities were obliged to keep horses in readiness for the royal couriers. This courier service basically served state (administrative, military) purposes, private communications mostly being carried by traders and itinerant artisans going to fairs and friars travelling between monasteries. The first regular postal route to carry private mail opened in 1526 between Vienna and Bratislava. In 1722, the Post Office was taken into direct state control, and was assigned a monopoly of letter carriage. Starting in 1752, letters and parcels were taken by the Vienna-Buda post coach, which also carried passengers. The railway gave new impetus to the development of postal services. In 1867, the Post Office came under Hungarian control. In 1878, an Act of Parliament provided for protecting secrecy of mail. In 1887, the postal and telegraph services were merged.

The available statistical data reveal a rapid expansion in the postal network in the last third of the 19th century. Postal services could be accessed at more and more points of the country, and there were telegraphs, and later telephones, in many post offices.

The development of the post office and telegraph service

Average of years	Number of			Number of postal routes	Length of postal routes, thousand km
	post-offices*	telegraph-offices	telegraph offices merged with Post Office and telephones		
1868–1870	1 421	415	–	1 453	34
1871–1885	2 313	1 002	–	3 221	39
1886–1900	4 301	2 303	980	7 919	65
1901–1915	5 833	4 326	2 148	14 070	75

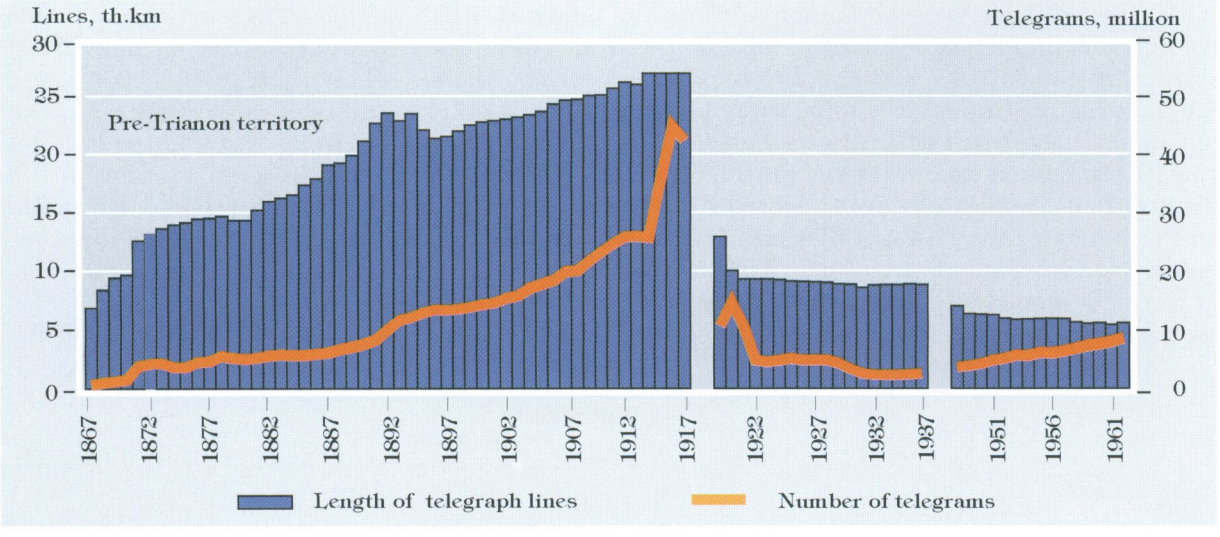
*Stable post offices (Treasury and non-Treasury), postal agencies, collection points, and travelling post offices.

In 1868, the Post Office delivered 47 million letters, 730,000 parcels and 13 million newspapers. By 1913, letter post traffic and newspaper delivery grew by a factor of 17 and parcel post by a factor of 54. Between the two wars, and after the Second World War postal traffic continued to grow. As the new millennium approached, the rapid spread of electronic communications reduced the Post Office's role in some areas, such as telegrams, but the wide range of traditional postal services are still of major importance. Outstanding figures for activities in the year 2000 are the 1.2 billion letters and 11 million parcels delivered and the 198 million money transfers. There is a post office in every town and in some three-quarters of villages, although not in more than half of small villages (of population under 500).

Communication by wire, in the form of the telegraph, appeared at the end of the 18th century, and in the 19th century enabled passage of information considerably faster than anything hitherto. At the time of the Compromise, Hungary had an extensive telegraph network, which continued to grow up to the First World War. Between the wars, the length of the network that remained within the new borders shortened

somewhat. The place of the telegraph was gradually taken over by new means of communications, but its prominence continued even in the decades following the Second World War.

Telegraphs



After the Morse-code based telegraph, the telephone opened a new chapter in communications, enabling the human voice to be carried long distances. Bell's revolutionary invention was first demonstrated in America, and in the following decades spread throughout the world. It was brought to Hungary by Ferenc Puskás, the first Budapest telephone exchange being set up in 1881, with 50 stations. His brother, Tivadar Puskás, was the instigator of the telephone news service, which was the first in the world when it opened in Budapest in 1893; in 1896 it had 6000 subscribers. "A living newspaper which overtakes all printed news, bringing the events of the day to where we are: by day it informs and reports, by night it shares the joys of the theatre with thousands sitting at home." (Mór Jókai)

In 1891, there were 3000 telephone stations operating in the country; ten years later there were 17,900, and 1917 82,300. After the war, about a half of these remained within the territory of the country. Growth in the following period was steady and increased in pace from the mid-1930s.

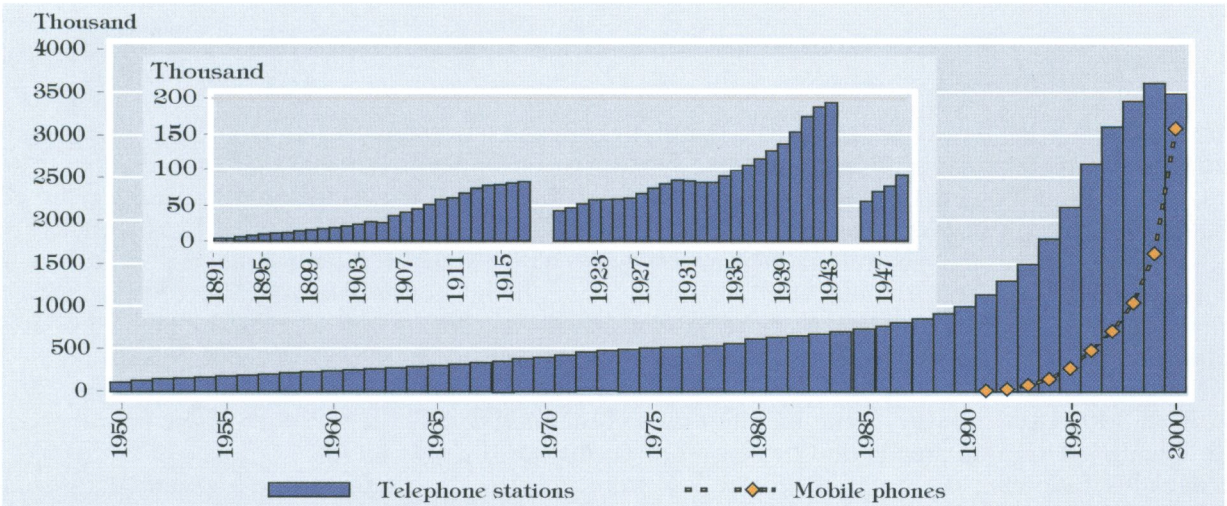
The decades following the Second World War were marked by expansion at a subdued rate and an increasing lag behind the standards of the developed world. More and more people were waiting for a telephone, usually for many years. In 1980, there were 617,000 lines in the country, and there were 258,000 people on the waiting list, of which 241,000 were waiting for a residential telephone. By 1990, the number of lines had increased by a factor of 1.6, and the number on the waiting list by a factor of 2.4. The waiting list became longest in 1994 (at 718,000), after which it started to contract spectacularly, and by the end of the decade demands were being satisfied on a continuous basis. The change derived from large-scale

development. Nevertheless, telephone ownership is still low by international standards. In 2000, there were 35 fixed telephone lines per hundred of population. The equivalent figure in the European Union member states in 1998 was between 41 and 67, and in other candidate states, the Czech Republic and Poland, it was 36 and 22 respectively.

As well as this quantitative growth, there was a major qualitative transformation in telephony during the 1990s. One of these was the launch of the wide-bandwith ISDN service. There were 5,000 ISDN subscribers in 1995, and 319,000 in 2000 (and by the first half of 2001 the number had surpassed 410,000). More and more subscribers are changing their lines for this, in line with world trends. The acceleration in the growth of the traditional fixed-line system slowed down, and in 2000, the number of lines actually fell.

After almost a century of fixed, wire-based telephones, the extremely rapid spread of mobile technology in the 1990s opened up now vistas for telephony. Five thousand people had mobile phones in 1991, rising to more than 3 million in 2000. In the first quarter of 2001, their number reached 3.5 million, surpassing the number of fixed lines (3.4 million), and by the end of the first half of the year there were only 3.3 million fixed lines and 3.9 mobiles. This is equivalent to 38 mobile phones per hundred of population. In European Union member states in October 2000, estimates put this figure at between 44 and 76. In the candidate states, the figures were 42 in the Czech Republic, 17 in Poland, and 26 in Hungary at that time.

Telephone network

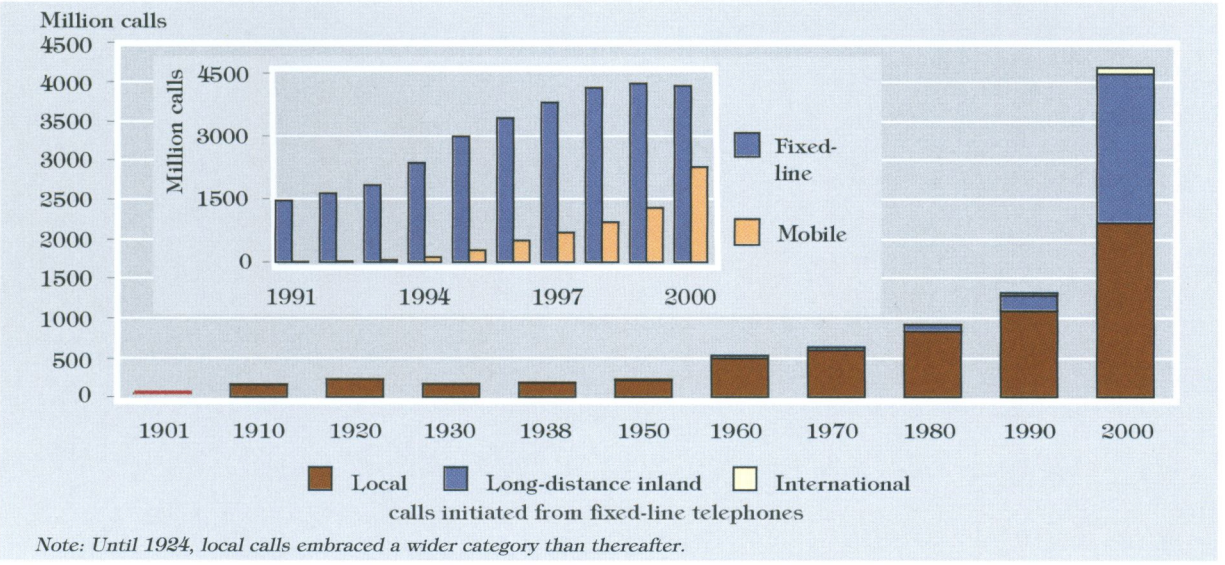


Note: Up to 1924, the number of telephone stations was the number of stations, between 1925 and 1992 the number of main stations, and from 1993, the number of main lines without ISDN lines.

At the beginning, most telephone calls were local. Inland long distance traffic increased from the 1980s as subscriber trunk dialling spread, and international calls became frequent in the 1990s. Mobile traffic

also rose dynamically in the 90s, but even in 2000, there were considerably fewer calls from this system than from fixed telephones.

Number of telephone calls



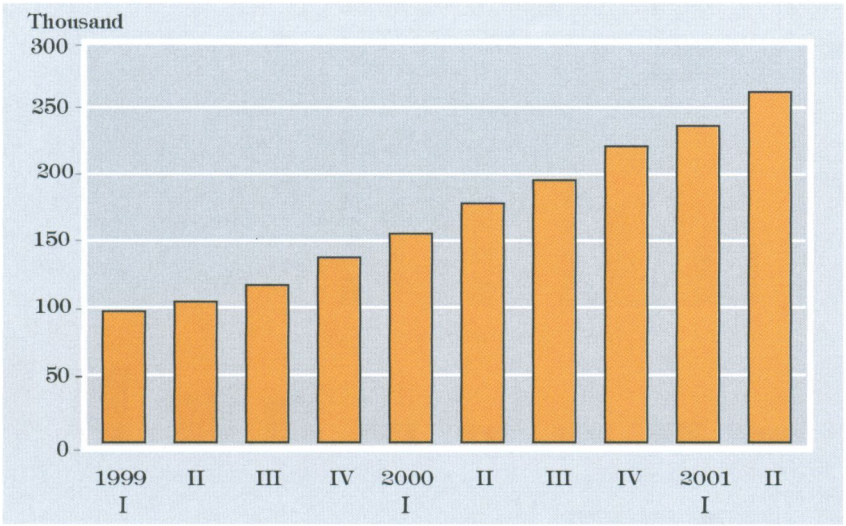
Note: Until 1924, local calls embraced a wider category than thereafter.

At the end of the 20th century, the telephone network was providing the basis for new telecommunication services. Data transfer services developed explosively worldwide, and Hungary, with some time lag, followed suit. The number of Internet subscriptions increased by a factor of 2.4 in two years (between 1999 and first quarter 2001). About one-fifth of elementary schools and all secondary schools had Internet access.

Despite rapid growth, the rate of Internet subscription, just like ownership of personal computers, is modest in comparison with advanced countries. In 2000, there were 85 personal computers for every thousand of population in Hungary (up from 44 in 1996). This was in the middle of the range for countries applying for European Union membership. Of European Union member countries, only the figure for Greece was slightly lower, and that for most others was several times higher.

Installation of the cable television network, another potential Internet medium, has also accelerated in recent years. In 1999, some 40% of homes were connected, but most subscribers only made use of the broadcast services.

Number of Internet subscriptions (at the end of each quarter)



Telecommunication devices per thousand inhabitants, 1998*

Description	Word, total	Of which: in countries with		Hungary
		low income	high income	
Radio	418	206	1 286	689
TV	247	138	662	437
Telepfone, fixed lines	146	37	567	336
Mobile phones	55	8	265	105
Fax	13	1	72	18
Pc	71	6	311	58
Internet	95	0,3	608	93

* *Source: World Development Indicators, World Bank, 2000.*

External trade

Hungary's international trade in goods first took on significant dimensions in the mid-15th century with a boom in cattle exports, which were already long established. Beef herds driven from the puszta pastures by cowherds and merchants of market towns in the Great Plain, and sometimes passing through the hands of city traders, were received in ever greater numbers at foreign destinations, above all Vienna, and from there to markets in the developing cities of the German Empire, Bohemia, Moravia, and North Italy.

The other important export commodity of Hungarian agriculture, wine, was mainly taken to Poland, but also to Bohemia and Moravia. Primary among mineral resources was copper, which found its way to the traditional North Italian and South German markets and from the 16th century to the Atlantic coast centre of modern world trade, Antwerp. The goods brought into the country in exchange for agricultural and mining products were manufactures, mainly textiles.

From the second half of the 18th century, the composition of exports changed. After livestock – whose exports were in any case declining – the second and third largest export commodities were wool and cereals. Another important change in this period was that the Austrian hereditary provinces became Hungary's main foreign trading partners.

The external trade sections of the statistical yearbooks published from the last third of the 19th century give more accurate and detailed figures. At first, they showed stagnating-declining trends in exports, partly due to the steady fall in world prices right up to the turn of the century. By the end beginning of the 1870s, however, imports became much higher than before, and considerably higher than exports. The external trade balance showed major deficits from year to year.*

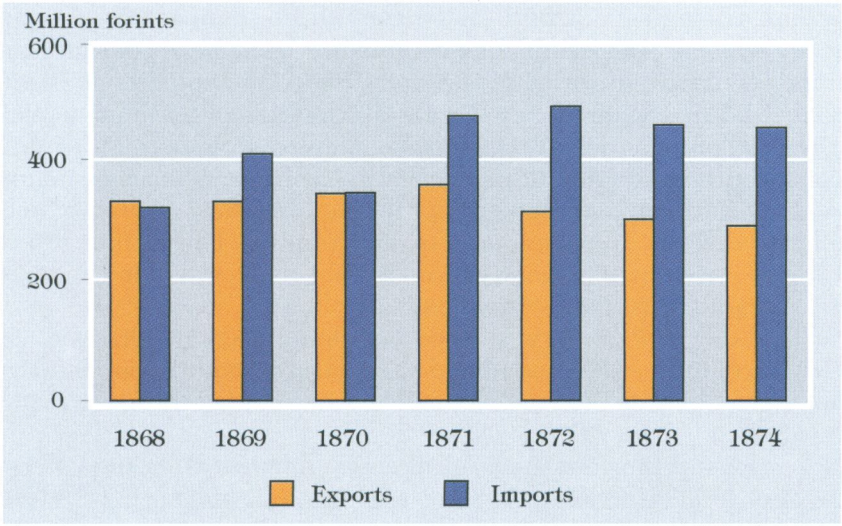
The export trend continued into the 1880s, but recovered slightly in the next decade. Imports followed a similar path, and there were no large differences between the values of imports and exports. The world market price rises that followed the turn of the century, coupled with the country's economic growth, also stimulated external trade. The First World War was at first a setback, but trade picked up again after the changeover to a war economy. However, the growth was accompanied by a rising deficit.

After the First World War, as the result of the country's economic and regional losses, external trade also shrank to a fraction of its former level. The recovery that started in the mid-1920s was again dampened by the world economic crisis at the beginning of the 1930s. The subsequent growth was also modest, and only accelerated after the changeover to a war economy.

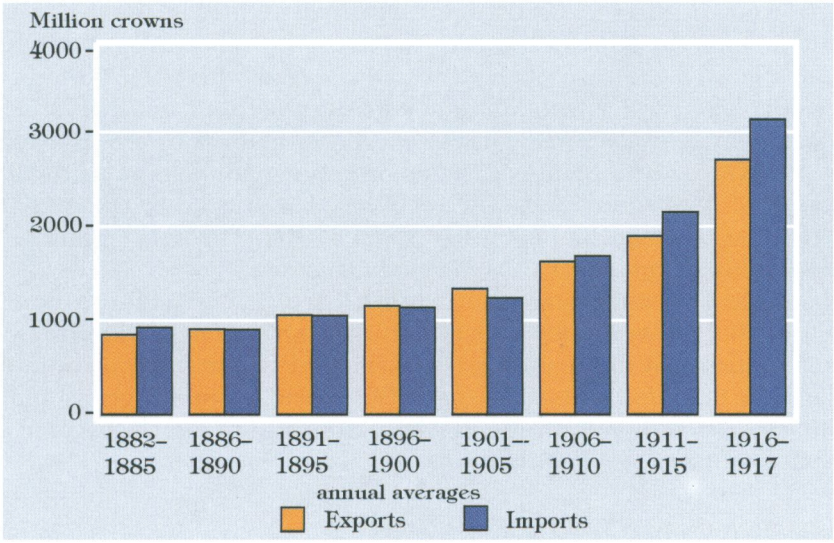
World prices between the two world wars were almost permanently unfavourable to Hungarian external trade. The price rises in the 1920s mainly affected Hungarian imports, while the country's products had to be sold on the world market at depressed prices. This led to the foreign trade balance showing major deficits year after year. The price fall caused by the 1930s world economic crisis mainly affected Hungarian export goods. Despite the price disadvantage, the external trade balance became positive and remained such almost continuously until the end of the war.

** Figures for the single customs area of the Austrian Empire, of which Hungary was a part, go back to the 1850s. Extracting Hungary's trade from this was probably not completely straightforward.*

Hungary's commodity trade with Austria and foreign countries



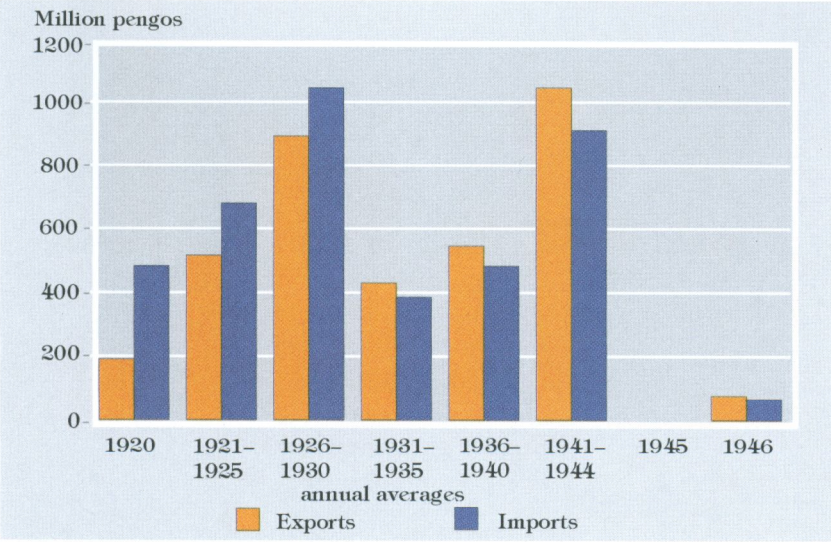
External trade in the Hungarian Empire



Rapid growth followed the end of the Second World War. Although the external trade balance in some years of the 1950s and 1960s showed a considerable deficit, the multi-year average showed imports hard-

ly exceeding exports, if at all. (There was an almost continuous deficit with the advanced countries, however, while trade with socialist countries was variously positive and negative.)

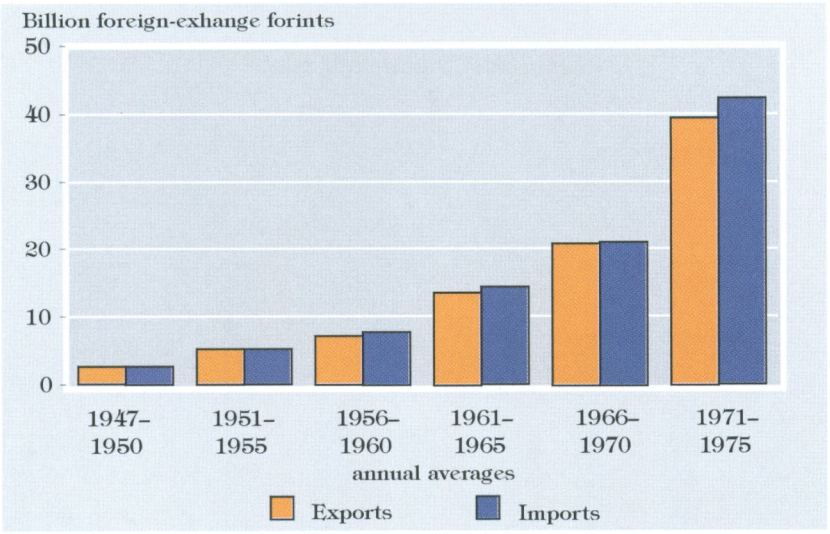
Hungary's external trade



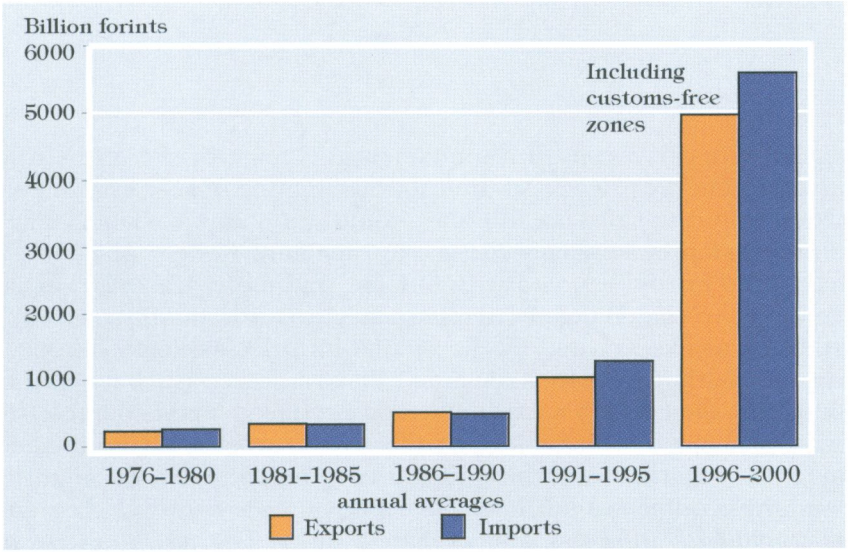
The world price explosion in 1973 caused a fundamental change in the terms of Hungarian external trade. The sudden increase in energy prices and their follow-on effects increased import costs to an extent which exports – under deteriorating sales conditions – could not counterbalance. The price disadvantage on this occasion found expression in a sharply rising external trade deficit. (The effect appeared immediately in the part not accounted in roubles, and with a delay, and more gradually, in the rouble-accounted part.)The process of adapting to the changed circumstances was late in starting and slow to take effect. The deficit stayed high, and was exacerbated by the second oil price explosion shock. The trend changed in the eighties, however, and although prices remained disadvantageous, they were offset by the rise in export volume, and as a result the country's external trade produced a considerable surplus.

The last decade of the 20th century also started badly for Hungarian external trade. The dwindling of traditional – former Comecon –- markets and the changeover to hard-currency accounting created many difficulties for exporters and the economy as a whole. The value of trade turnover grew substantially, but this was fundamentally due to changes in prices and exchange rates. The new markets began to exert their effects in the second half of the decade, when exports were boosted by operations in the new industrial customs-free zones. Despite the dynamic expansion of exports, the economy's steeply-rising import requirement resulted in a steady and large external trade deficit.

Hungary's external trade



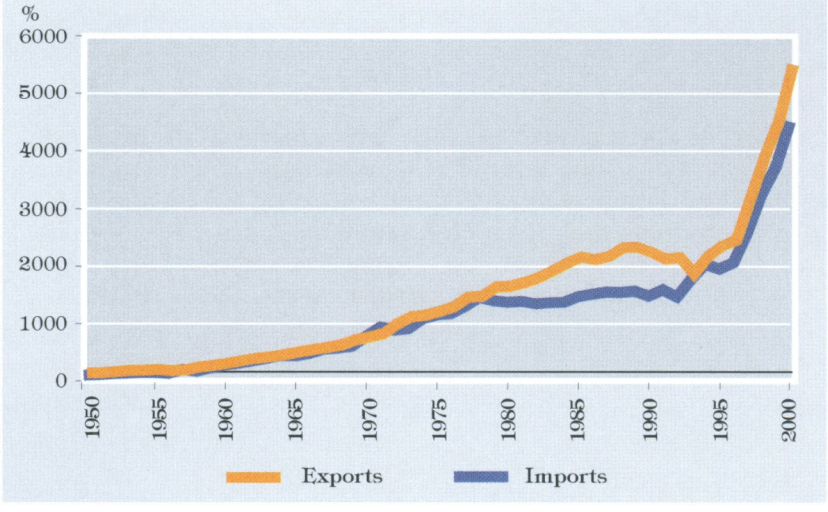
Hungary's external trade



Real economic processes are revealed by external trade turnover volume figures, where price change effects are filtered out. Such figures first became available in 1950. These show growth to be essential

steady up to the mid-1970s, with similar rates for exports and imports. Since then, exports have in the main grown faster than imports throughout the years and decades since then. The trade deficits of the 1970s and 1990s can thus be ascribed not to volume processes, but to disadvantageous price trends.

Volume of external trade
(1950=100)



Up to the middle of the 20th century, the commodity structure of Hungary's external trade fundamentally comprised agricultural exports and manufactured imports. This was partly due to the country's natural attributes, but also to the fact that it was part of the single customs area of the Austrian Empire, which was an increasing barrier to economic development. Its manufactures could not compete with the more advanced industry of Austria and the hereditary provinces.

The first statistical yearbook shows that in 1868 more than half of exports and nearly half of imports were made up of four commodity categories or commodities. In exports, these were chiefly agricultural produce and to a lesser extent food industry products, and in imports, the main items were textiles, utility commodities and – associated with railway construction – iron commodities and railway equipment.

The economic development following the Compromise was mostly reflected in the composition of import goods. The preponderance of textile products remained, but industrialization also brought with it rising imports of raw materials. The head of the list of export items was still occupied by agricultural and food products. This did not greatly change even between the two world wars, although engineering products appeared as major items of both imports and exports in the 1930s, the export side consisting mainly of electric machinery and appliances.

Trade in main commodities in 1868

(%)

Export commodities	Share of total exports	Import commodities	Share of total imports
Cereals	37	Linen, cotton and wool goods	18
of which: wheat	21	Garments, fashion, toiletries and silk goods	12
Pork	10	Haberdashery, fancy goods,	
Wool	9	Nuremberg and Kalmar goods	10
Flour and other		Various iron and steel goods	
milling products	8	and railway equipment (rails, wheels, axles)	8

Grouping into raw materials and manufactures was first employed in the 1888 yearbook, and a further division, semi-finished goods, was added later. These data also show the dominance of raw materials in exports, chiefly agricultural raw materials. Although the ratio of finished products to manufactures reduced in the 1930s, food products took a smaller, and machinery a larger share.*

The commodity structure of exports, 1888–1938

(%)

Commodity group	1888	1900	1913	1922	1930	1938
Raw materials	63.9	60.8	51.8	35.6	59.2	59.5
Of which:						
food and						
utility articles	46.2	45.6	24.6	20.0	33.9	29.6
Semi-finished goods	..	..	10.1	9.4	8.1	9.7
Manufactures	36.1	39.2	38.1	55.0	32.7	30.8
Of which:						
food and other						
consumer articles	21.0	21.4	25.8	26.8	16.6	6.9
machinery, appliances, electrotechnical utility items,						
vehicles	..	..	..	14.4	6.6	10.8
Total	100.0	100.0	100.0	100.0	100.0	100.0

In imports, the preponderance of industrial finished products, after a gradual decline, came to an end in the 1930s, and the proportions of raw materials and semi-finished goods considerably rose.

* The content of commodity groups differs by era even with similar nomenclature. The time series for each table are relatively homogeneous.

The commodity structure of imports, 1888–1938

(%)

Commodity group	1888	1900	1913	1922	1930	1938
Raw materials	17.6	22.0	25.0	22.8	39.2	41.0
Of which:						
industrial materials	8.8	12.4	20.8	19.4	34.6	36.8
Semi-finished goods	..	..	13.4	19.9	22.5	28.1
Manufactures	82.4	78.0	61.6	57.3	38.3	30.9
Of which:						
spinning and weaving products	41.5	34.8	22.6	33.3	11.6	3.2
machinery, appliances, electrotechnical utility items, vehicles	..	..	..	3.9	8.2	8.9
Total	100.0	100.0	100.0	100.0	100.0	100.0

In the wake of the economic restructuring after the Second World War, it was the commodity structure of exports that underwent the greatest change. This change can be followed using the commodity groups in the Comecon nomenclature. A fundamental feature is that agricultural products were much less prominent than before, and industrial products much more so.

The commodity structure of exports, 1938–1989

(%)

Commodity group	1938	1950	1960	1965	1970	1980	1989
Machinery, mechanical equipment, means of transport	9.3	23.0	40.8	35.0	34.3	34.3	30.4
Industrial consumer articles	10.2	20.3	19.2	22.9	21.9	18.5	17.4
Raw materials and semi-finished products	23.5	17.5	19.9	21.4	21.2	23.9	30.0
Foods and food industry materials	57.0	39.2	20.1	20.7	22.6	22.2	20.3
Total	100.0	100.0	100.0	100.0	100.0	100.0*	100.0*

* Including construction and assembly costs without materials.

In imports, owing to the country's natural features, major items were raw materials and semi-finished goods, although their proportions declined. Far-reaching industrialization generated a demand for machinery and equipment that became perceptible in the import figures.

The commodity structure of imports, 1938–1989

(%)

Commodity group	1938	1950	1960	1965	1970	1980	1989
Machinery, mechanical equipment, means of transport	10.6	22.0	29.5	30.1	32.2	31.8	34.2
Industrial consumer articles	8.8	1.5	5.3	5.6	7.6	8.0	12.1
Raw materials and semi-finished products	73.1	72.7	58.1	57.0	52.4	54.2	48.7
Foods and food industry materials	7.5	3.8	7.0	7.4	7.8	5.4	4.2
Total	100.0	100.0	100.0	100.0	100.0	100.0*	100.0*

* Including construction and assembly costs without materials.

The SITC nomenclature produced by the UN was first applied in Hungary in 1963. Although it has twice been modified since then, data series based on these groupings can be regarded as continuous up to the present. One of the most striking features of these figures is in exports the major fall from the high proportion of machinery and vehicles up to 1990. This can be ascribed to the collapse of the Comecon market that was the main channel of sales. A decade later, the same product category had become the outstanding feature of exports. The growth is chiefly due to the widening activity of industrial customs-free zones. The majority of production and exports in free zones consist of machinery and vehicles. The second major change by the end of the century was the reduction in the role of agriculture (although exports also increased substantially in this product category.)

The commodity structure of exports, 1963–2000

(%)

Commodity group	1963	1965	1970	1980	1990	2000
Foods, beverages and tobacco	21.4	20.7	22.3	21.8	21.2	6.9
Raw materials	4.5	3.9	4.7	4.7	5.9	2.4
Energy	2.0	1.4	1.1	2.5	3.1	1.8
Manufactured products	37.5	39.2	37.7	36.9	44.2	29.1
Machinery and means of transport	34.6	34.8	34.2	34.1	25.6	59.8
Total	100,0	100,0	100,0	100,0	100,0	100,0

The main change in the commodity structure of imports in this period was the gradual, and towards the end of the century rapid, growth in the proportion of machinery. This was due chiefly to the high machinery demand of industrial investments and the high import content of production in industrial customs free zones. The previously high prominence of raw materials and energy, although their imports continued to grow, considerably shrank.

The commodity structure of imports, 1963–2000

(%)

Commodity group	1963	1965	1970	1980	1990	2000
Foods, beverages and tobacco	9.5	8.7	9.9	8.0	7.1	2.7
Raw materials	18.8	18.5	13.5	8.7	5.4	2.2
Energy	11.8	12.1	9.1	14.9	14.2	8.4
Manufactured products	29.1	31.7	35.4	37.7	38.7	35.3
Machinery and transport equipment	30.7	29.0	32.1	30.8	34.6	51.4
Total	100,0	100,0	100,0	100,0	100,0	100,0

In the list of Hungary's leading external trade partners, the permanent elements owe their place to geographical proximity, and the changes reflect mostly political factors. For a long time up to the end of the First World War, the overwhelming focus of both exports and imports was Austria. Coming out of this somewhat closed set of relations, the country's list of foreign trade partners lengthened in the 1920s. Austria kept up a high, if declining, share, and the most prominent neighbouring countries were Czechoslovakia and Romania, others being Germany and Italy. Of these, Germany became the largest partner in the 1930s, and the definitive partner during the war years.

Hungary's largest trading partners, 1891–1938
(share of total exports and imports)

(%)

Country	1891	1900	1913	1920	1930	1938
			Exports			
Austria	75.6	71.6	72.6	60.6	28.1	18.3
Germany	10.5	10.6	6.4	11.1	10.3	27.4
Czechoslovakia	–	–	–	13.6	16.8	4.1
Italy	1.1	2.5	2.1	2.8	12.9	8.5
Romania	1.0	1.4	1.7	1.4	3.2	4.0
			Imports			
Austria	83.6	79.5	71.5	50.5	11.5	11.5
Germany	3.9	4.9	10.0	11.1	21.2	30.1
Czechoslovakia	–	–	–	18.8	21.0	6.6
Italy	0.7	1.9	1.4	9.8	5.0	6.2
Romania	0.9	1.1	1.8	0.9	8.9	9.8

After the Second World War, the country's foreign trading links were fundamentally altered. The majority of trade was with the socialist countries, basically within Comecon. The chief partners were the Soviet

Union, followed by the German Democratic Republic, Czechoslovakia and Poland. Of the market economies, the most significant were the German Federal Republic, Austria and Italy.

The share of trade with market economies grew slowly at first, and then accelerated in the 1980s. The turning point came at the end of the decade: the bulk of trade was with these countries in the 1990s, and the highest proportion with the European Union. The united Germany moved to the top of the list, followed by Austria and Italy. The rise in the significance of imports from developing countries was chiefly related to customs-free zone activity. Trade with the Soviet Union declined sharply after Comecon was dissolved. After that country broke up, the largest successor state, Russia, remained significant as a supplier of oil and gas, but most export markets there were lost to Hungarian external trade.

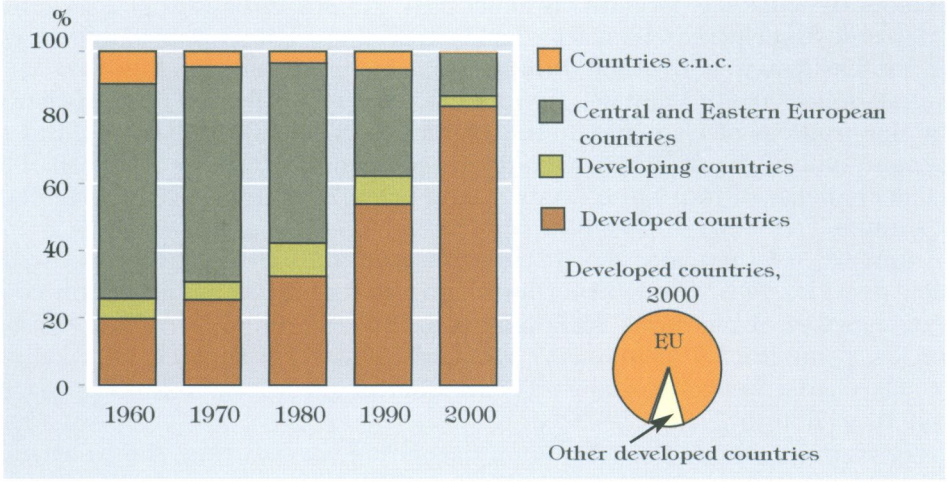
Hungary's largest trading partners, 1950–2000
(share of total exports and imports)

(%)

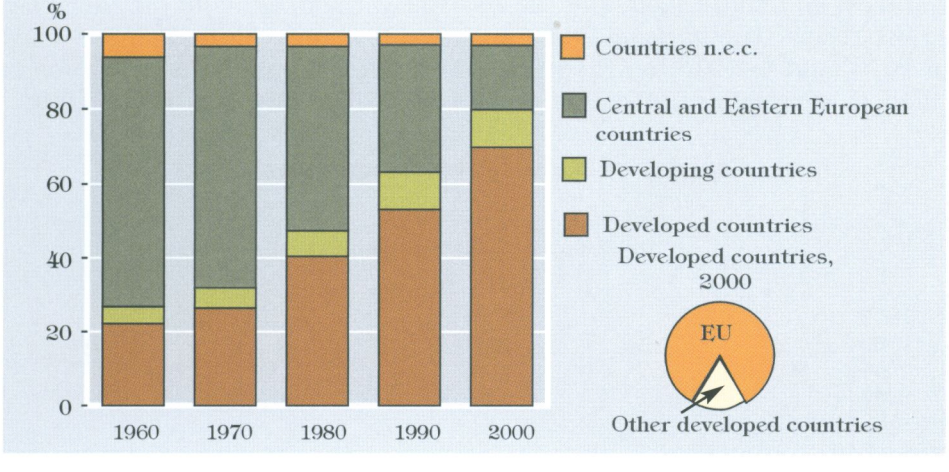
Country	1950	1960	1970	1980	1990	2000
			Exports			
Soviet Union	28.9	30.8	35.8	31.1	20.2	1.6*
GDR	7.4	12.0	10.3	7.2	3.1	–
FDR	7.4	5.2	5.9	10.0	17.1	37.2**
Czechoslovakia	10.6	11.3	9.0	6.4	4.1	1.7***
Poland	8.2	5.5	5.6	4.1	1.7	2.1
Austria	5.1	3.4	2.8	4.2	7.5	8.7
Italy	3.4	2.4	5.8	4.6	5.9	5.9
			Imports			
Soviet Union	24.5	31.6	34.4	28.9	19.1	8.1*
GDR	2.6	11.0	11.0	7.2	5.9	–
FDR	9.9	5.2	5.3	12.2	17.4	25.5**
Czechoslovakia	10.3	11.9	8.3	5.4	4.7	2.0***
Poland	9.9	5.4	5.8	3.8	2.4	2.0
Austria	5.7	3.6	3.4	5.5	10.0	7.4
Italy	2.9	2.5	3.8	3.3	4.1	7.5

* Russia.
** Germany
*** Figures for the Czech Republic. Slovakia took 1.0% of exports and supplied 1.8% of imports.

Distribution of exports by country groups



Distribution of imports by country groups



Tourism

Tourism in the modern sense has a relatively short past. It used to be that people gained knowledge of the world from tales and descriptions by a few daring travellers. Hungarian history records many great travellers. Among the earliest was Brother Julianus and his companions, followed by such as Sándor Kőrösi Csoma, András Jelky, Ármin Vámbéri, Gyula Germanus and others. Travel in ever greater numbers was encouraged by the progress of transport in the 19th century, chiefly of railways. But truly mass travel is a thing of the second half of the 20th century, due in no small part to motorization. The transport system, one of the basic elements of tourism infrastructure, brought in its wake the other essential element, the construction of hotels.

Information on tourism is practically absent from the first statistical yearbooks. A small exception is that of 1874, which provides figures on "Entertainment, dining and accommodation companies". Of the over 26,000 such enterprises, it mentions 23 hotels with 123 staff and 393 rooms. Most of the enterprises were public houses, some kind of drink-serving establishment (wine, beer, pálinka, coffee) or restaurant; many of these also had a few guest rooms. The number of guest rooms thus approached 12,000, with prices ranging from 10 to 500 krajczárs.

In Hungary, it was in Pest, just as Danube steam navigation was starting, that tourism first prospered. The steam packet between Pest and Vienna first sailed in 1830, and the Angol Királynő (Queen of England) Hotel was built in 1839, followed by the István Főherczeg (Crown Prince Stephen) and Európa Hotels in 1846. In railway construction, a landmark for tourism was the opening of the line connecting Western Europe with the Balkans in 1888. This set off a wave of hotel building in Budapest, one of the main transit stations between West and South-East, and the 1890s saw the opening of the Royal Hotel on the Great Boulevard, and the Bristol, the Hungária and the Carlton on the banks of the Danube. The Széchenyi Baths were completed in 1913, and in 1918, on the site of the former Sáros Baths, was constructed one of the continent's most modern thermal establishments, the Gellért Medicinal Baths and Hotel.

Capacity of Budapest hotels and pensions

Év	Number of establishments	Beds
1896	25	..
1920	137	6 541
1930	121	5 564
1937	156	9 486

During the 20th century, more and more parts of the country opened up to tourism. Developments between the wars made the Balaton lakeside the country's top holiday area, and considerable tourism was also based around the Hévíz spa.

Holiday hotels, 1930

Holiday site	Number of	
	Hotels	Rooms
Total	157	2 688
Of which:		
Balaton	54	1 423
Hévíz	81	842
Mátra	19	233
Bükk	3	190

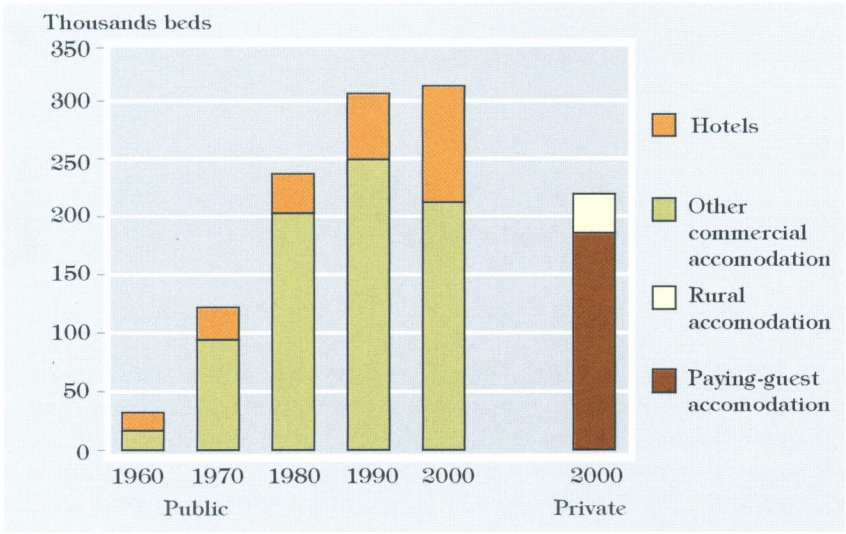
After the Second World War, the country's little public accommodation was of a poor standard, and improvement was slow in starting. In 1960, around half of commercial accommodation was in hotels, a category which included guest houses, motels and hostels. (Lower-standard forms of accommodation were separated from hotels in 1972.) As the number of beds increased, it was accomodation offering more modest services that predominated, and hotel capacity grew at an increased rate in the 1980s and especially the 1990s. As the turn of the millennium approached, expansion was mostly in higher-category hotels, so that in 2000, five- and four-star hotels accounted for 23% of hotel beds, and three-star hotels, 45%. (In 1980, two- and one-star hotels predominated, with a share of over 60%.) The capacity of spa hotels doubled between 1999 and 2000, to 9,000 beds in 26 establishments. (This was about one tenth of all hotel beds.) Other public accommodation comprises guest houses, walkers' hostels, youth hostels, holiday centres and camping sites.

In 2000, there were 36,000 paying-guest establishments and 6,000 rural accommodation facilities offering 221,000 beds, which is approximately equal to the capacity of other non-hotel public accommodation. (There are still presumably many rooms let out "black", but there are no figures on these.)

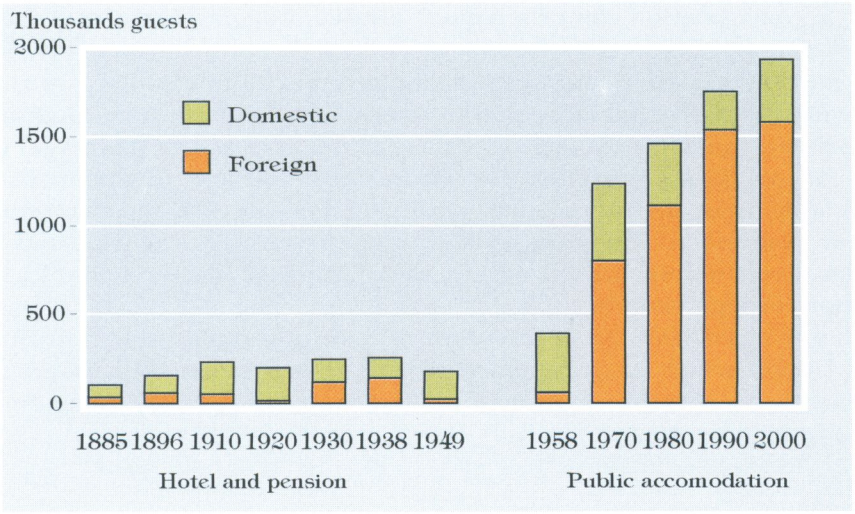
The oldest data on public accommodation concerns the business of Budapest hotels and pensions. These received a steadily rising number of guests at the end of the 19th and the beginning of the 20th centuries, most of them from inland. Business fell off after the First World War, and although it recovered later, the pre-war level was not surpassed on a permanent basis. The composition of guests changed to include more and more foreign visitors.

The figures available since 1958 paint a picture of relatively rapid growth in Budapest public accommodation business. Hotels, which accommodated nine-tenths of guests, took more guests in this year than before the war. Domestic guests still constituted the majority, but were overtaken in the following decades by the rising flow of foreign guests.

Capacity of commercial and private accomodation facilities

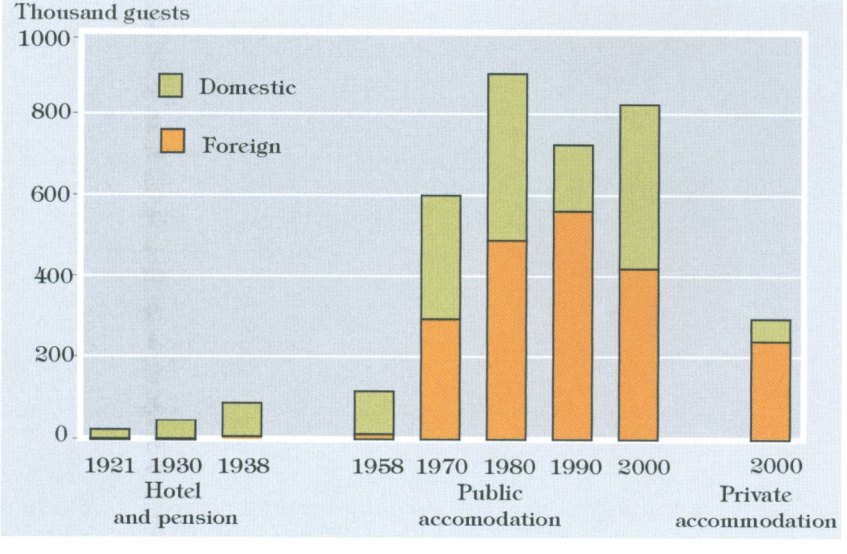


Business in Budapest accommodation



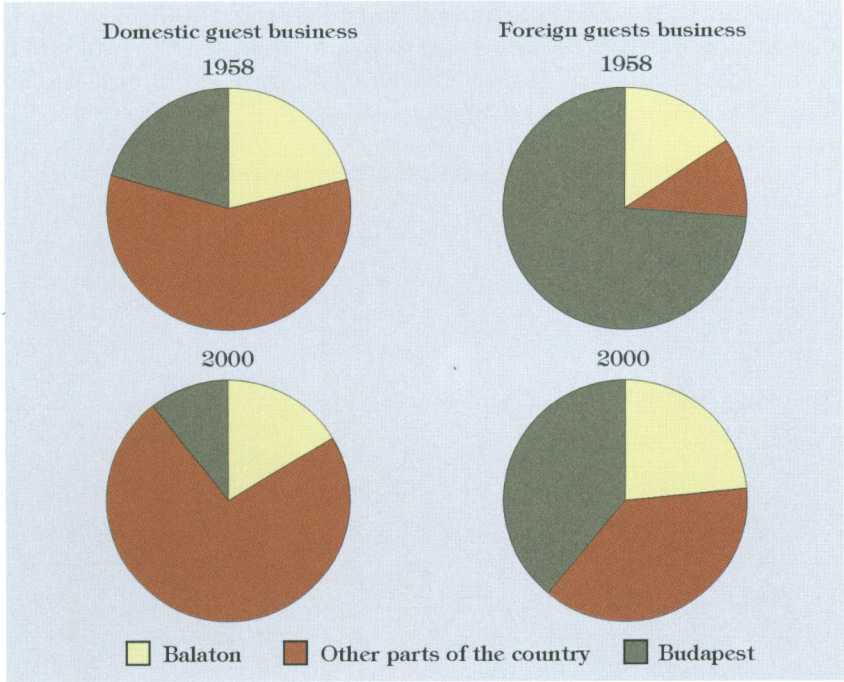
The development of the holiday area of the Balaton lakeside between the world wars is reflected in the boom in hotel and pension business. In this period, and even at the end of the 1950s, it was basically domestic guests that occupied the hotels and other accommodation. In the years that followed, however, foreign guest business burgeoned, a trend that only changed in the 1990s. The decline in occupation of commercial accommodation may have been due in part to the spread of private tourist accommodation. Another likely factor is the high number of foreign citizens who owned Balaton lakeside real estate at the turn of the millennium.

Guest business in Balaton accommodation



The predominance of Budapest and the Balaton lakeside in the country's tourist business has persisted to the present. Most foreign, and a very large fraction of domestic, public accommodation guests are received in these two areas. At the same time, comparison with earlier figures indicates a weakening of this concentration, i.e. the spread of tourism to new areas.

Regional distribution of guest business in public accommodation
(by number of guest nights)



With a history stretching back many centuries, spa culture has always been a major tourist attraction. Statistics are available on this almost continuously from 1892 to 1942. The statistical yearbook for 1892 mentions 118 spas and 77,500 permanent spa guests in Hungary (without Croatia-Slavonia). The figures for the following years show dynamic growth in numbers of both spas and guests. (Permanent guests were those that stayed at least one week, as opposed to temporary guests, who stayed for shorter periods but at least one night.) The post-war decline is no doubt owing to so many spas falling outside the Trianon borders. Most guests throughout the period were Hungarians, but foreign visitors also increased in number.

Guest businnes of spas, health resort and hydropathic establishments

Year, spa	Number of spas	Permanent	Temporary	Total	Of which	
		spa guests, thousand			domestic	foreign
Total in 1900	180	81.5	83.9	165.4	136.0	29.4
Of which:						
lakeside spas	20	12.8	16.4	29.3	28.2	1.1
climatic health resorts	48	12.4	24.1	36.5	24.3	12.2
thermal waters	32	32.1	24.4	56.5	42.1	14.3
cold mineral waters	80	24.1	19.0	43.2	41.3	1.9
1913	203	122.3	104.3	226.6	195.9	30.8
1922	39	44.1	21.5	65.6	61.5	4.1
1930	62	73.3	77.7	151.0	145.0	6.0
1938	96	205.0	225.5	430.6	388.3	42.3
1941*	90	198.4	327.4	525.8	515.2	10.6

* On the present territory of the country.

From the 1950s, there were many holiday centres run by trade unions, enterprises and institutions. Providing accommodation and usually full board, they embodied a form of holiday that was an important facet of Hungarian tourism right up to the end of the 1980s. Despite a steep decline in the 1990s, they retain a significant presence.

The capacity and guest business of holiday accommodation

Year	Number of beds, thousand	Number of guests, thousand	Of which: domestic	Beds	Domestic guest nights
				as a percentage of the equivalent figures for public accommodationn	
1960	53	503	496	1.7 times	1.8 times
1970	80	763	739	66	93
1980	128	1 272	1 202	54	89
1987	149	1 463	1 360	47	99

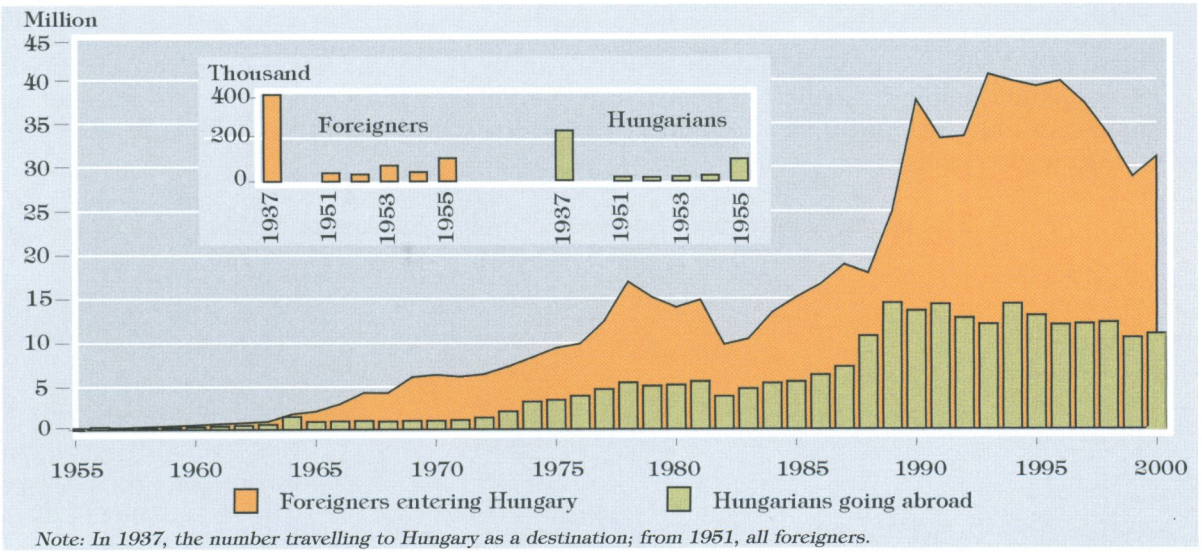
For a long time, travel across the national border was open to only a small section of the population. Useful border traffic figures are available for the last half-century. There are earlier figures on the numbers of passports issued, from which the number of foreign journeys by Hungarian citizens can be estimated. In the period between 1889 and 1913, the highest number of passports – 238,000 – was issued in 1907. These passports permitted exit from the country for a total - including family members – of 301,000

persons, some seven tenths of these being emigrants. The number issued for non-emigrant purposes was under 90,000.

In 1937, 220,000 Hungarian citizens travelled abroad. Only a fraction of this number were going abroad at the beginning of the 1950s, but a gradual rise started at the end of the decade. Most of the travellers at that time, and for the next three decades, were destined for Comecon countries, although travel to Western countries also became possible, if restricted. A fundamental turning point was the introduction of the world passport in 1988, which set off a boom in foreign travel, mostly to Western countries.

The number of foreigners travelling to Hungary in the 1950s was considerably lower than the 383,000 in 1937, but it had risen above it by the beginning of the 1960s. The rate of growth in the following years was also high, and now several tens of millions of foreigners cross the Hungarian border every year. Only a fraction of foreign visitors stay in Hungary for more than one day, many being day trippers or people passing through.

Border crossings



Note: In 1937, the number travelling to Hungary as a destination; from 1951, all foreigners.

Tax*, inflation, and other finances

Tax

In more advanced societies, the state obtains regular revenue for public tasks via taxation. In the middle of the 1800s, most taxes were salt duty and revenue from mining. The first independent Hungarian government prepared a budget for the second half of 1848 and for 1849. The sparsely-received revenues, however, only covered a part of the allocations, and so state bonds were issued to cover expenditure – 70% of which was military.

Until 1848, landowners were exempt from tax, but thereafter became subject to the Austrian Empire's land tax system, under which they paid 4.3 million forints in 1848, 25.5 million in 1850 and 65.6 million in 1857. (By comparison, savings deposits totalled 10.5 million forints in 1850 and 36.3 million in 1860.) In addition, after the defeat in the War of Independence, the country and its people was burdened by: direct taxes on land, livestock, houses, income and personal earnings, and indirect taxes: salt and tobacco excise; duties on legal cases and official actions, internal customs (harmincad); tax on consumption of beer, pálinka and meat; and duty on playing cards, calendars, pubic announcements and newspaper entries. After the Compromise, it was unnecessary to make fundamental changes to the tax system, only to adopt the direct taxes introduced under absolutism. In 1868, some three-fifths of revenue came from direct taxes, one-fifth from excise, ten per cent from consumption taxes and the remaining ten per cent from charges, duties and stamp duties.

From the mid-1870s, general earnings tax was introduced by merger of income and personal earnings tax. Many new taxes appeared, including capital, interest and annuity tax, taxes on associations and societies subject to public accounting, tax on the use of railway and steam navigation, and others. The changes modified in the structure of tax revenue, a smaller share coming from direct taxes and larger shares from excise, consumption taxes, charges and duties. Their respective proportions of tax revenue in 1884 were 46, 29, 13 and 12%.

The consumption tax reforms made in the second half of the 1880s, coupled with rapid economic development, caused the revenue from consumption and beverage taxes to double between 1887 and 1893. Income tax in the modern sense, adopted in Austria in 1896, was also taken up by Hungary, with some time lag. The relevant Act was drafted in 1909, but only passed into law and enforced during the First World War, in 1916. The appearance of income and property tax caused major changes in the structure of tax revenue. In budget year 1917-18, more than one-third of revenue came from income and property tax, whereas direct taxes fell to less than one-quarter, consumption and drink taxes to 17, charges and duties to 15 and excise to 11 per cent.

The beginning of the 1920s saw the imposition of a new form of indirect tax, the 3% sales tax, whose effect, because of rising inflation, only later became perceptible. To stop inflation, stabilize the currency and gradually restore balance to public finance, compulsory inland loans were introduced in 1924, set at six times the 1923 property tax. These yielded 800 billion crowns (korona), or 50 million gold crowns (aranykorona). Public finance stabilized in an extremely short period, and the 1924-25 budget year closed

*Only taxes paid into the central (state) budget, so that this section does not contain the taxes of contemporary local authorities (counties, boroughs, corporate towns and villages, other public law bodies, and later councils and then local goverments.

with a surplus of 63 million gold crowns, enabling the part of the League of Nations Loan designated for this purpose to be spent on infrastructural developments.

The 1925 tax reform increased indirect taxes, including sales tax. The latter (together with duties) generated one-third of tax revenue. The share of indirect taxes further declined, to about one-fifth. The state tax burden rose from the pre-war level of 59 pengős to 91 pengős in 1925-27. Between 1930 and 1933, nominal tax revenues declined from year to year. The reduction affected every kind of tax except direct and sales taxes. This process stopped in 1934, after which tax revenues increased even nominally. It was sales tax revenue that increased fastest during the 1930s. The increased share of excise is most striking from 1938, when tax was imposed on the alcohol monopoly.

Contribution from taxation types to total tax revenue

(%)

Tax	1928	1933	1934	1938	1940
Direct taxes	24.3	37.1	34.0	31.2	26.1
Sales taxes	15.2	14.0	19.4	20.9	23.7
Consumption taxes	10.9	12.3	14.8	15.2	14.8
Duties	15.6	17.0	12.1	12.5	9.7
Customs duties	14.6	5.4	5.6	5.4	4.3
Excise	19.4	14.1	14.0	14.9	21.4
Total	100,0	100,0	100,0	100,0	100,0

The forint, introduced on 1 August 1946, was the basis for the 1946/47 budget. The 2.6 billion forint actual tax revenue comprised 30% indirect taxes, 41% sales and consumption taxes, 19% excise, 9% duties and charges, and customs duties only 1%. In 1947, property tithes and property accumulation tithes were imposed as extraordinary taxes for post-war reconstruction.

From the 1950s - after the nationalization of large-scale industry and the banking system, and the collectivization of agriculture - the tax system also went through fundamental change. The enterprises became the main taxpayers, accounting for around 90% of revenue. The "new economic mechanism" introduced in 1968 did not change this proportion substantially. The predominant share of taxation (75-80%) was still paid by enterprises and cooperatives. The main features of the corporate tax system were multiplicity of channels through which it was imposed (profit and income tax, social security contributions, differential producer tax, production tax, customs duty and import tax, centralized amortization, etc.) and high income centralization. Sales tax shrank in significance, providing about 14-17% of revenue, and was related to consumption in an extremely differentiated way, its volume hardly outstripping the size of price supplements. Taxes on the public were of minor significance within the tax system (6-8%), essentially comprising pension contributions for workers in the state sector, income taxes for smallholdings and private plots, and taxes for the private sector and independent intellectual work.

An attempt to lead the Hungarian economy out of the extremely difficult position it had fallen into by the end of the 1970s was the radical reform of regulation in 1980. This did not live up to the hopes

invested in it, however, and the many new forms of transitional tax introduced in 1985 also failed to improve the economy's external and internal balances, which continued to deteriorate.

The two main innovations of the 1988 tax reform were the introduction of value added tax and personal income tax. The tax system set up then is still in place today. It resulted in a major change over the preceding decades as regards the distribution of taxpayers. Taxes on enterprises - corporation tax, customs and import duties, special-situation taxes, gaming tax, and other - shrank considerably, while taxes on consumption (VAT, consumption tax) became predominant, and tax payments by the public also made up an increased proportion. The latter taxes now account for more than three-quarters of state budget revenue.

Distribution of tax revenues, %

Megnevezés	1990	1995	1998	2000
Tax paid by enterprises	44.8	29.1	18.7	16.2
Consumption-related taxes	44.4	47.2	55.5	57.6
Tax paid by private individuals	10.8	23.7	25.8	26.2
Total	100,0	100,0	100,0	100,0

The overwhelming majority (85-88%) of tax paid by enterprises is corporation tax (based on profit) and customs and import duties. More than two-thirds of consumption-related tax comes from VAT. (VAT rates were initially 25, 15 and 0%; the top rate remains 25%, but the lower rate has come down to 12%. A small category of products is still zero-rated.) Consumption tax rates and the product categories to which they apply are potential instruments for influencing the structure of consumption. Personal income tax accounts for some 90% of tax payments by private individuals. It is levied on each person's annual income, without benefits in kind, reduced by relieving terms provided by current tax laws. The highest income tax rate is now 40%. (The highest since introduction was 42%, in 1997.) Duty, the other component of private individuals' tax payments, is currently rising rapidly.

Periods of high inflation in Hungary

During the First World War, 37 billion crowns, i.e. 70% of public expenditure, went to the war effort. For this, and part of ordinary expenditure, a total of 39 billion crowns were taken out as loans. The banknote circulation of the Austro-Hungarian Bank rose from 2.2 billion crowns on 25 July 1914 to 31.5 billion on 31 October 1918, and in the same period the reserves of gold and foreign currency fell from 1.4 billion crowns to one-quarter of that amount. Banknote circulation continued to expand after the war; on 31 December 1920, it reached 44.9 billion crowns, of which Hungary's share, after the division of Austrian and Hungarian affairs, totalled 14.3 billion crowns.

Up to October 1918, the crown lost 60% of its value by Zurich quotation, and 100 crowns were worth 42 Swiss francs. (Under the official currency (coin) parity, 100 crowns = 105.01 Swiss francs.) The deterioration in the currency was brought to a temporary halt by the end of 1920, and inflation by the beginning of 1921, indeed prices actually came down, but from the second half of the year, the crown's exchange rate deteriorated further, at an accelerating pace, and inflation reached hitherto unseen heights.

Inflation, 1920–1924

Date	Banknote circulation, billion crowns	Zurich quotation of crown, Swiss francs	Unofficial dollar exchange rate, Budapest, crowns	Cost of living index: 1914=1
31.12.1920	14.3	1.15	572	70
31.03.1921	15.6	1.75	312	49
30.06.1921	18.1	2.10	262	42
30.09.1921	20.8	0.80	720	62
31.12.1921	25.2	0.85	615	83
31.03.1922	29.3	0.57	870	99
30.06.1922	33.6	0.51	1 027	129
30.09.1922	58.5	0.215	2 537	266
31.12.1922	75.9	0.2125	2 362	334
31.03.1923	82.2	0.115	4 405	660
30.06.1923	155.0	0.037	8 525	1 446
30.09.1923	588.0	0.0161	19 950	5 635
31.12.1923.	931.3	0.017	21 750	6 814
31.03.1924	1606.9	0.0076	76 150	17 852
30.06.1924	2893.7	0.0070	83 350	21 817

Inflation was fed by the burdens left over from the lost war and by the costs of supplying occupying armies and various international committees, which were covered by the proliferation of state bonds. This brought in train the devaluation of the crown. After the peace treaty, the country still remained in economic isolation: it was excluded from foreign trade and so could not benefit from the post-war boom.

The first measure taken to halt depreciation of the crown was the introduction of the takarékkorona (savings crown). This did not bring successful revaluation in itself, but it eased the transition to a regulatory system that did eventually stabilize the currency.

Issued on 20 February 1924, the takarékkorona was an accounting unit whose value was established daily on the basis of the Zurich crown quotation, the prices of Hungarian shares on foreign stock exchanges, and the inland exchange rate. On 23 July 1924, when calculations in takarékkorona were abolished, 100 takarékkoronas were equal to 125 paper crowns.

The situation was finally settled under the reorganization programme accepted by the Hungarian Government and the League of Nations on 14 March 1924, with "League Credit", taken up on the recommendation, and under the protection, of the League Council.

Stipulations of the reorganization program:

– gradual restoration of public accounts balance by 30 June 1926, so that state expenditures would thereafter be covered by current revenues;

– in the transitional period the state deficit would be covered by international loans;

–for the purpose of stabilizing the currency, a central bank independent of the state had to be set up.

With the League of Nations Loan of some 250 million gold crowns, public accounts were restored to balance within four months - much quicker than anticipated - and so the sum intended to cover the deficit was spent on large-scale investment projects. The Hungarian National Bank was set up in 1924.

Act XXXV of 1925 established the new Hungarian gold-based currency in November 1925.

The pengő's gold value:

1 kg pure gold = 3800 pengős

1 kg pure gold = 3280 gold crowns.

100 gold crowns = 115.85 pengős

The pengő became legal tender on: 1 January 1927

1 pengő = 12 500 paper crowns

League of Nations credit

The interest on the 254 million gold crown loans was 7.5%, the issue price 87.5-89.0%, and the repayment date 1 February 1943. In return for League Credit, the Hungarian government pledged all (gross) state revenue from customs duty, sugar tax and Treasury share payable on sugar, and tobacco excise, and gross revenue from salt excise. (In return for these pledges, the collateral security requirement was lifted by the Reparations Commission.) The purposes on which it was planned to spend the loans were:

100 million gold crowns to cover the 1924–1925 budget deficit

50 million gold crowns to cover the next year's budget deficit

60 million gold crowns to cover the arrears due on 1923–1924

40 million gold crowns to cover 6 months' interest.

League of Nations loans

Issuing country	Nominal value			Actual amount taken out	
	original currency		in thousand gold crowns	in thousand gold crowns	in thousand pengős
United Kingdom	7 902 700	pound-sterlings	168 723	138 532	160 498
United States	7 500 000	dollars	37 013	29 610	34 242
Italy	170 000 000	liras	36 228	31 445	36 487
Switzerlandc	30 000 000	francs	26 196	21 742	25 232
Sweden	4 585 000	crowns	5 994	4 945	5 746
the Netherlands	4 150 000	guilders	9 257	7 683	8 923
Czechoslovakia	83 620 000	crowns	12 145	10 049	11 668
Hungary	2 350 000*	dollars	11 597	9 973	11 579
Total			307 153	253 979	294 375

* The 2 350 000 dollars extended in Hungary included bonds of nominal value 1,500,000 dollars that had been issued in the United States in 1924, by which the American share issue rose by 9 million dollars.

The debt servicing due on the loans in 1932 was met in full. Between 1933 and 1937, half of the interest was paid in hard currency and the rest was handled by the Hungarian National Bank in pengős, as a deposit. (The latter measure followed the "transfer moratorium" introduced in 1931.)

Repayment of the loans was rescheduled in 1937. This involved the freeing up of pledged tax revenue, and the annual interest rate was reduced to 4.5% in 1938. From August 1940, the government paid the interest, and repayments equivalent to 1% of the capital 1937, in currency up to autumn 1944, with two exceptions. Firstly, the Hungarian government completely repurchased the Czechoslovakian share issue, and secondly, from December 1941, following the declaration of war, no payments were made to the United States or Britain. Finally, agreement on the British debt was made in the 1960s, and on the American debt in the 1970s. This enabled Hungary to enter the foreign capital market as a borrower. The loans were fully and finally repaid on 1 August 1979.

The *highest inflation in the economic history of Hungary and the world* started in the late 1930s. This was when the state power forced the central bank to provide it with continuous unsecured loans. This caused banknote circulation to rise from 545 million pengős in 1937 to 20 billion pengős by the end of 1944. Inflation was further stoked by the damage to the economy caused by the Second World War, the military occupation, the chaos in public accounts, and the delivery obligation system introduced in 1942.

In the second half of 1945, the Treasury took out loans of 1160 billion pengős, and in the first quarter of 1946, a further 42,300 billion pengős in loans from the central bank (not counting the 383 billion pengős revenue from the banknote levy of January 1946.)

The counterbalancing of the fiscal deficit with central bank credit steadily raised inflation, and further exacerbated the scarcity of goods. Confidence in inflated money was weakened by the practice of revaluation, i.e. officially declaring the pengő's depreciation, and aggravated by the publication of various index numbers and calorie calculations and the introduction of the tax pengő. The latter took place at the begin-

ning of 1946, following which the pengő's only function was to set the value of the tax pengő on the basis of the price indexes. (The tax pengő was worth 1.64 pengős at the end of 1946, 9.85 at the end of February, 44 in March, 570 in April, 108,000 in May, 7,500,000 in June, 4,497,810,000,000 on 7 July, and 30,463,850,000,000 pengős on 17 July.) The banknote press issued higher and higher denominations, and the period between the issue of two denominations became shorter and shorter. To simplify calculation, the 10 thousand million note was simplified by six zeros by marking as 10,000 millpengős, and from the beginning of July a further simplification came with the issue of B-pengő banknotes.

Inflation, 1945–1946

Date	Central bank circulation, billion pengős	Cost of living index, 15 July 1945=100	One dollar private exchange rate pengős
30.06.1945	23.6	-	640
15.07.1945	25.0	100	1 290
31.08.1945	33.5	192	1 510
30.09.1945	51.0	425	3 630
31.10.1945	116.0	2 725	22 300
30.11.1945	364.6	14 547	107 000
31.12.1945	765.4	30 364	290 000
31.01.1946	1 646.4	74 031	770 000
28.02.1946	5 237.8	480 305	2 800 000
31.03.1946	34 001.6	2 775 814	10 800 000
30.06.1946	6 277 271 176 087	188 402 690*	1 817 000 000*

* Millpengő

Under a Ministry of Finance decree of 9 July 1946, pengő debts and deposits appearing in postal savings bank state accounts and commercial cheque accounts were to be regarded as being in tax pengős. Thus the pengő banknote ceased to be a means of payment, and its paper money role was assumed by the tax pengő note.

The last phase of galloping inflation

5 July 1946

tax pengő note circulation 15,646,410,840,000 pengős

1000 tax pengős = 13,500,000 B pengős

1 dollar = 29 318 000 tax pengős (privately)

23 July 1946

tax pengő note circulation 174,857,240,460,000 pengős (its purchasing power even did not cover the price of one cigarette)

1000 tax pengős = 20,000,000,000 B pengős
1 dollar = 301,738,120 tax pengő (privately)

The end of inflation

The pengő was replaced *from 1st of August 1946 by the forint.*

200 million tax pengős = 1 forint
400,000,000,000,000,000 B pengős = 1 forint
400,000,000,000,000,000,000,000,000,000 pengős = 1 forint

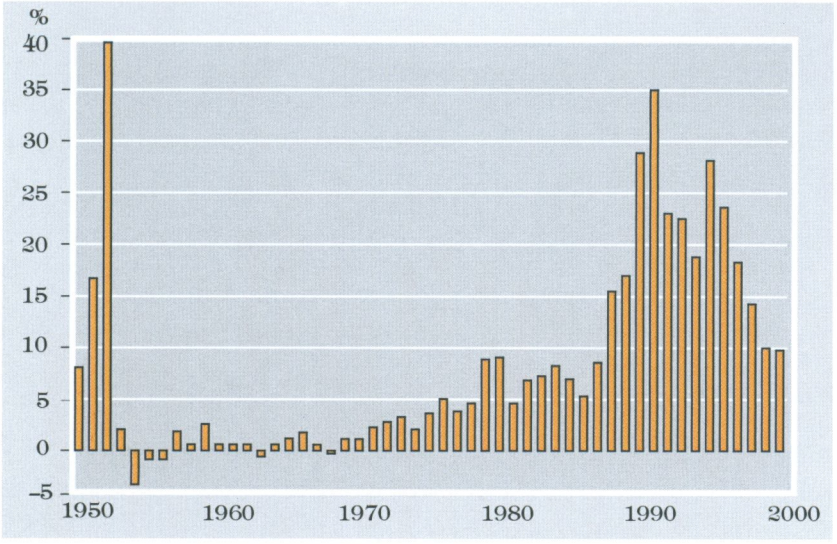
The new money had a large and positive part in the stabilization of economic life and the rebuilding of the country. Economic conditions did not favour the stabilization of prices and money, however. The cost of living rose by 23% from September 1946 up to the end of September 1947, and by 51% up to the end of April 1948. In 1949, when food coupons were abolished, there was a further substantial rise in food prices. Prices climbed even higher in 1951–52, when consumer prices went up by 69% over two years. Subsequently, the purchasing power of the forint hardly changed for a long period. Consumer prices in 1970 were equal to those of 1952. During this period, most prices were set centrally. Price stability was insured by a complicated system of producer and consumer levies, subsidies and price supplements. It was external economic effects, above all the price explosion of oil and raw materials, combined with modernization in economic management and the spread of market conditions, that set off ever steeper movements of prices. In terms of decades, the overall consumer price rises were: 1.6 times in the seventies 2.8 times in the eighties 6.3 times in the nineties.

At the beginning of the nineties – as in the other change-of-system countries – inflation took on new vigour. This stemmed firstly from external market effects, secondly from the general economic recession, and thirdly from the abolition of a wide range of consumer price subsidies, so that most prices were set by the market. After reaching 35% in 1991 – its highest rate since 1952 – there was, with some reverses, a gradual moderation of general price inflation. (In neighbouring countries going through the same process, inflation only slowed down some years later.)

Rise in consumer prices
(Factors by which prices rose over decades)

Year	1950	1960	1970	1980	1990
1950	1				
1960	1,6	1			
1970	1,7	1,1	1		
1980	2,6	1,6	1,6	1	
1990	7,3	4,6	4,3	2,8	1
2000	45,6	28,5	26,9	17,3	6,3

Change of consumer prices over preceding year



Largest banknote denominations

Year, month	Denomination, forints
August 1946	100
August 2001	20 000

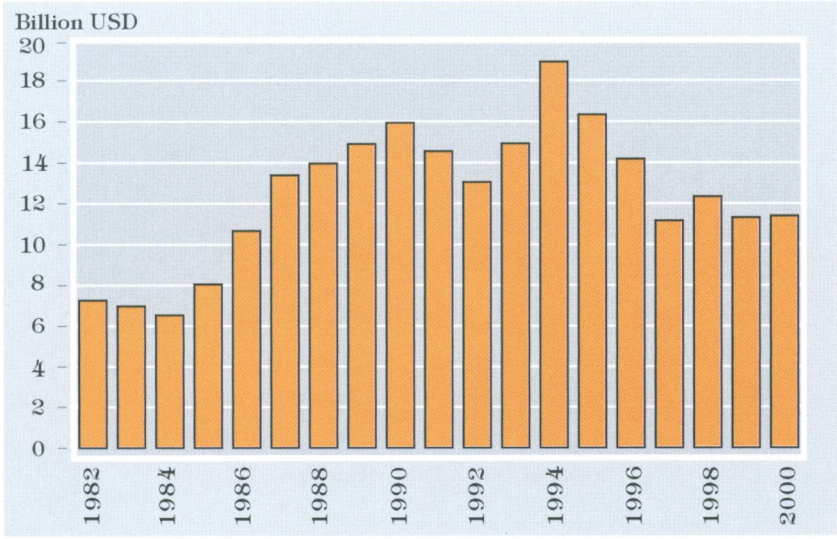
External debt

In the 1960s and 70s, domestic use overall, and in every year except 2 in each decade, exceeded production. The gap was particularly high in the second half of the seventies. In each of the six years between 1974 and 1979, there was an import surplus equivalent to 5.5% of domestic expenditure. The country's debt burden, owing to this and other international liabilities and transactions, swelled considerably.

At the end of 1982, the net external debt stood at 7.3 billion dollars, some one-third of GDP. Gross debt was over 10 billion dollars. At the end of 1985, net debt was nearly two-fifths of GDP, and rose year by year to half of GDP in the years 1987-1990, at nearly 16 billion dollars in 1990. In the following three years, the net debt as a proportion of GDP fluctuated, first reducing somewhat, and then rising again, and at the end of 1993 was 15 billion dollars. In 1994, the net foreign debt jumped by 4 billion dollars to it

highest level ever, 19 billion dollars, in wich the 3.9 billion dollar current account deficit played a contiderable role. The 4 billion rise comprised 2.6 billion in loans and 1.4 billion in exchange rate changes.

Net external debt



The rise in gross debt continued into the start of 1995, but started to fall during the year. The 31.7 billion dollars at the end was a 3 billion dollar rise on the year. By contrast, net debt had fallen from the previous year by 2.6 billion dollars to 16.3 billion. From then on, currency revenues from privatization enabled repayment of external state debt so that both gross and net debt contracted constantly and substantially, to 23.7 and 11.2 billion dollars respectively at the end of 1997. In the next three years, the gross debt grew steadily, but net external debt changed only slightly, staying around 11-12 billion dollars, equivalent to about a quarter of GDP.

Throughout the eighties and at the start of the nineties, the greater part of gross and net external debt was owed by the Hungarian National Bank (MNB) and the public sector. From the middle of the nineties, there was a major change-round in proportions, and at the end of 2000, the public sector and the MNB owed 21% of net debt, with two-thirds of the rest being owed by the enterprise and other sectors, and the other third by the banks.

External debt comprises only liabilities owed by residents. Capital invested by foreigners in Hungary either directly or in the form of shares or other ownership, or as securities representing ownership (portfolios), is not counted as part of it. Similarly, investments by Hungarian abroad does not count as debts receivable. In December 2000, the total net value of such debts was nearly 17.7 billion dollars.

At the end of December 2000, the external debt of the national economy with these included thus stood at 29 billion dollars.

Reparations

The country's financial and economic difficulties were aggravated by the imposition of reparation payments following the wars it lost.

The treaty signed after the *First World War*, in October 1923, obliged Hungary to pay 200 million gold crowns in reparations over 20 years. The Reparations Commission froze the state's main sources of revenue as security of payment.

Hungary satisfied its obligations in kind by supplying coal to the value of 7 million gold crowns (8.1 million pengős) annually from budget year 1924/25 and 1 million pengős after the crisis of 1931.

After the *Second World War*, economic obligations were shouldered simultaneously with signature of the ceasefire on 20 January 1945. The treaty obliged Hungary to supply goods of value 300 million dollars during for six years. (Goods were valued at 1938 prices, with surcharges of 15% on industrial equipment and 10% on other items.) In addition, the costs of the occupying army and the Allied Inspection Commission had to be borne.

The reparations due comprised:
200 million dollars to the Soviet Union,
30 million dollars to Czechoslovakia,
70 million dollars to Yugoslavia.

Of the 300 million dollar total
10 million dollars were in factories to be removed,
242 million dollars in manufactures to be supplied.
48 million dollars in agricultural and other goods to be supplied.

The value of goods at 1938 prices was some 3 billion pengős. These amounts were further raised by transport and insurance costs and 5% monthly interest for any delays in delivery.

The reparation treaties specifying the quantities of goods were signed with the Soviet Union on 16 June 1945, and with Czechoslovakia and Yugoslavia in spring 1946. The reparation treaty was amended in July 1946, and the duration of supplies was extended to 8 years. The Soviet government issued a declaration on 20 January 1953 that Hungary had fulfilled the reparations due to the Soviet Union.

Stock Exchange

The *Budapest Commodities and Stock Exchange* commenced operations on 18 January 1864, with 21 shares. Up to 1867, the Stock Exchange saw little turnover and minimal price swings, mostly set off by

news telegraphed from the Vienna Stock Exchange. In consequence of the Compromise and good harvests of 1867–68, there were 84 shares being traded on the Stock Exchange in 1869.

The bad harvest of 1869 caused sales of cereals, the main export commodity, to fall, and the ensuing cash shortage led to *the first stock exchange crisis in Hungary,* exacerbated by the outbreak of the Franco-German War. The greatest losses were suffered by holders of steam mill shares, and quotations for five steam mills disappeared from the stock exchange list. The end of that war marked the beginning of a new boom period. In 1872, "founding fever" broke out, with deeds of foundation being accepted for 550 banks and 15 public industrial companies, and new stock exchange quotations for 39 public companies, of which 24 were banks or savings associations. It was at the height of this boom period, on 9 May 1873, that news reached the Budapest Stock Exchange of the Vienna Stock Exchange crash. Contemporary estimates put the loss in share value of banks, savings associations, mills and other industrial enterprises between 1872 and December 1873 at 55 million forints. 44 million forints of this was bank securities. The crisis lasted to the end of the decade, and affected banking shares most severely, quotations for 19 banks and 16 other companies being discontinued.

The crisis was followed by a recovery that started in 1879 and lasted until the collapse of the Union Generale bank in 1881, in response to which share prices slid downwards and transactions virtually ceased, with only annuity securities being traded. The signs of boom reappeared in 1886, and remained steady up to 1895. (The value of nominal 100-forint shares in Budapest-based banks doubled by 1894, for example.)

> The expansion of Stock Exchange turnover necessitated the regularization of stock exchange transactions and the adoption of clearing accounting to enable cash-free trading. This was effected by the foundation of Budapest Giró és Pénztáregylet Rt. in 1893. Stockbrokers were obliged to open giro accounts in 1923. An illustration of Giró Rt's success is that 40% of transactions were concluded via clearing at the turn of the century, and 85-90% in the 1930s. The rising stature of Giró Rt. went hand in hand with increasing stock exchange turnover and business from stock exchange clients of the main Budapest banks.

The boom of the 1890s was contributed to by the South African gold fever. Later – because of overheated speculation – this caused trouble on the Paris and London stock exchanges, and the gold mine crisis of 1895 took its toll on the Vienna Stock Exchange, "Black Saturday" (9 November) marking the start of a sustained stock exchange crisis. In Budapest, this was followed by a runaway price slide, stagnation and loss of confidence, and the number of companies quoted on the Stock Exchange only returned to its 1895 level in 1910. In 1912-13, political crises, war anxiety, and at the end of the decade the rise of inflation, all led to price falls. Securities trading stopped between autumn 1914 and spring 1916, and commodity futures transactions did not recommence until June 1926.

Another bout of *foundation fever* broke out at the beginning of the 1920s, reaching a peak in 1923, when 1095 joint stock companies were founded. The Stock Exchange's securities turnover went up from 1.1 million transactions in 1913 to 250 million in 1923, and giro trade from 2.77 million crowns to 6 billion. The Economic Reorganization Act of 1924, in conjunction with the League of Nations loan, put an end to infla-

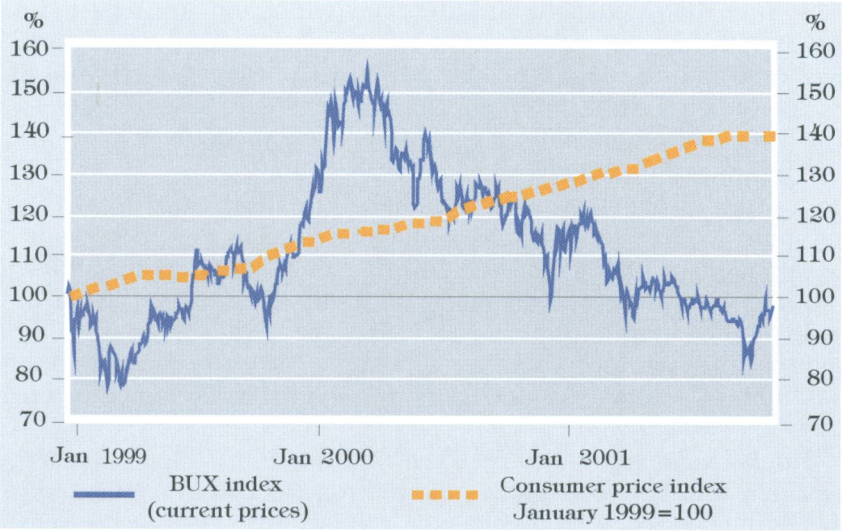
tion, the official currency became the pengő, and there was again major turnover on Budapest Stock Exchange. The reverberations of the New York Crash and the declaration of insolvency by Creditanstalt in 1929 caused the Budapest Stock Exchange to close from 14 July 1931 to 20 September 1932. When it reopened, 18 shares were quoted for trade. (Bank shares only reappeared in 1941.) In 1936, domestic- and foreign-owned securities were distinguished, and after "nostrification" (official listing of domestic-owned shares) was decreed on 1 February, only these could be traded. In 1937, signs of another world economic crisis appeared in New York, and on Black Tuesday (27 April), prices fell 10-30%. Because of state price support and a wide range of other state intervention, the commodities exchange was suspended in the 1930s. In the wake of nationalization, actual securities-stock exchange trade shrank from month to month in 1947, and the Stock Exchange officially closed in March 1948.

The *Budapest Commodities Exchange* was re-established in 1989. Starting with only a cereals section, it was expanded with a meat section in 1991 and a financial section in 1993. Trade grew year by year up to autumn 1998. The Commodities Exchange shook off the consequences of the Russian financial crisis by the end of 1999, and returned to the pre-crisis level. In 2000, trade turned upward, but its value even at current prices was hardly higher than half of that in 1998. The highest trade among the three sections is that in the financial section; trading in cereals also substantial, but the meat section accounts for one per cent or less of the total. 99% of trading the Budapest Commodities Exchange comprised futures transactions.

The new *Budapest Stock Exchange* was formed on 21 June 1990. That year, its turnover was 6.1 billion forints, on 6 shares. The number of securities quoted rose to 166 by 1995, and turnover to more than 250 billion forints. The Budapest Stock Exchange share index, BUX, ended the year at over 1500 points.

This was followed by steady growth that saw a range of "psychological barriers" fall, and in August 1997, trading closed at over 8,000 points for several days in a row. In autumn 1997, after the Dow Jones index and the dollar suffered falls, and in the wake of the Far Eastern currency market crisis, the BUX lost nearly 3,000 points from its value. This period was succeeded by relatively rapid growth, and in April 1998, the BUX surpassed 9,000 points. In September 1998, the radical fall of the New York stock exchange index and the effect of the deepening Russian financial crisis cause the BUX to fall below 4,000 points. This fall of 5,000 points in five months proved more difficult for the Stock Exchange to overcome than the previous year's, and it was only in December 1999 that it rose again above 8,000 points. In February 2000, the Stock Exchange index crossed the "magic" 10,000 point mark, but from April onwards, prices started moving downward again, sometimes dramatically, and the year ended on just over 7800 points. The Stock Exchange's entire turnover had fallen to half of the previous year's. The first half of 2001 was also marked by low trading and price falls.

The percentage value of Budapest Stock Exhange share index (BUX)
(7 January 1999=100)



Hungary in the world

A) Share of the world as a whole

Indicator	Year	Absolute figure	Unit	Hungary's share in the world total, %
Area		93	thousand km²	0.07
Population	1960	10.0	million	0.33
	1999	10.1	millión	0.17
GDP (at purchasing power parity)	1998	103 489	million international dollars	0.28
Goods exports	2000	28	billion dollars	0.44
Touristm revenue	1998	3 514	million dollars	0.79
Primary energy consumption	1999	1.1	Exajoules	0.28
Wheat production	1961	1 935.7	thousand t	0.87
	2000	3 692.5	thousand t	0.64
Wheat exports	1961	93.5	thousand t	0.24
	1999	598.6	thousand t	0.52
Maize production	1961	2 714.8	thousand t	1.32
	2000	4 984.3	thousand t	0.84
Maize exports	1961	53.5	thousand t	0.38
	1999	1 708.2	thousand t	2.18
Cereal production	1961	6 174.8	thousand t	0.70
	2000	10 025.1	thousand t	0.49
Cattle stocks	1961	1 957	thousand	0.21
	2000	857	thousand	0.06
Pig stocks	1961	5 921	thousand	1.46
	2000	5 335	thousand	0.59
Electricity generation	1960	7.6	TWh	0.33
	1998	37.0	TWh	0.26
Brown coal and lignite production	1960	23.7	million t	3.70
	1998	14.6	million t	1.62
Cement production	1960	1.6	million t	0.50
	1997	2.8	million t	0.19
Sugar production	1960	380	thousand t	0.73
	2000	337	thousand t	0.26
Deaths by cause of death				
Circulatory system diseases	1999	73 334		0.43
Malignant tumours	1999	33 821		0.48
AIDS fatalities	1999	11		0.00

The population of Hungary makes up 0.17 per cent of the world's estimated total. Its share of GDP and primary energy use is 0.28 per cent, which means firstly that per capita GDP and energy consumption is some two-thirds above the world average, and secondly that energy use per unit of GDP is average. Most of the country's indicators are higher than the world average, and its position is that of medium-advanced countries. The figures show some Hungarian peculiarities, such as the high proportion of pigs among livestock compared with the world at large. The country's share in the world production of some basic items has shrunk since the 1960s, which is partly due to the relatively slow average rate of development over these forty years, and partly to the shift in product composition to other, more complicated items. For several products, the smaller share can be explained simply by the lack of necessity for rapid growth, the population having been essentially constant at a time when the world's population has doubled.

B) Comparison with world averages

Indicator	Year	Hungary	Hungary's as a percentage of world figure
Population density, km^2	1998	109	242
Life expectancy, years			
women	1999	75	109
men	1999	66	102
Women as a proportion of the population, %	1998	52.1	103
Women as a proportion of employees, %	1998	44.6	104
Per capita gross domestic product, dollars*	1999	10 870	161
Per capita electricity consumption, kWh	1997	2 840	138
Cereal harvest average, kg/hectare	1999	4 640	153
Maize harvest average, kg/hectare	1999	6 380	148
Average milk production per cow, kg	1999	5 469	270
Egg production per capita, number	1999	324	225
Meat production per capita, kg	1999	112	293
Cow's milk production per capita, kg	1999	209	145
Defence expenditure as percentage of gross national income	1997	1.9	76
Number of telephone lines per capita	1998	336	230
3 minute peak-time local call charge, dollars	1997	0.13	186
Number of mobile telephones per thousand inhabitants	1998	105	191
Number of personal computers per thousand inhabitants	1998	58.9	83
Number of Internet accesses per ten thousand inhabitants	1999	93	99

At purchasing power parity.