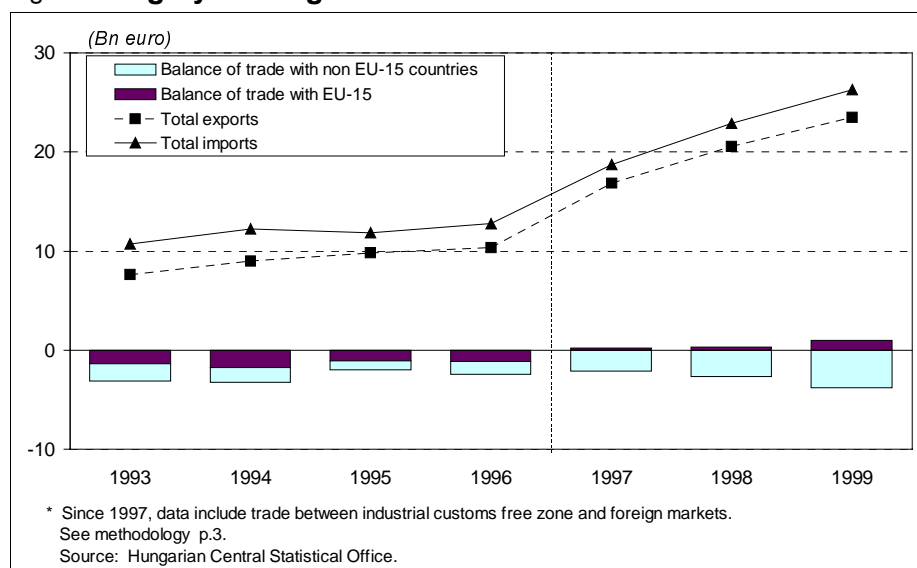


EU-Hungarian trade blossoms

Tim Allen

Over the past years, Hungary imported slightly more than it exported. Import and export growth remained modest until 1996, but gained pace during the following three years. Its trade relations with the European Union (EU) have prospered: in 1999, around two thirds of Hungary's trade was carried out with the EU, and Hungary was the EU's 8th most important trading partner. Also, the EU recorded a remarkable increase in imports in automobile parts and equipment goods from Hungary over the past two years.

Fig. 1: Hungary's foreign trade *



Soaring trade figures

Hungary emerged fairly unscathed from the Russian financial crises, which has shaken many of the transition countries in Eastern Europe over the past two years. In 1999, the Hungarian economy expanded by around 4.5% with trade being an important engine of growth. Its GDP per capita (in purchasing power standards) was roughly half that of the EU's while unemployment stood at around 7% (see table on page 3 for comparison with EU). The strong export performance relative to other economies of the region was in particular due to Hungary's competitiveness on the EU market.

Import and export growth remained modest until 1996, but soared in the following three years. More was imported than exported between 1993-99, but the trade deficit remained more or less stable at around ECU 2-3 bn, which represented close to 6% of GDP in 1999. In particular EU-Hungarian trade blossomed, with EU imports gaining roughly 10% in importance in overall imports between 1993-99 and similarly exports to the EU captured 18% more in overall exports. Interestingly, Hungary's trade figures show a clear trend from a negative trade gap vis-à-vis the EU to an increasingly positive one after 1996⁽¹⁾.

(1) Please note that trade figures declared by Hungary differ somewhat from trade figures declared by the EU. In general, this can be explained by the use of different concepts and definitions. In this particular case, large discrepancies may be explained by differing treatment of data concerning vehicle parts (motors) assembled in custom free zones in Hungary. Eurostat and many of the CECs are currently undertaking substantial efforts in harmonising their trade statistics.

Statistics in focus

EXTERNAL TRADE

THEME 6 – 14/2000

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Overall, Hungary imported goods worth ECU 26 bn while it exported roughly ECU 23 bn worth in 1999. As noted above, exports have been an important engine of growth. In Hungary, they reached 51% of GDP, which places it among the top exporters among emerging economies of Central Europe - just behind Slovakia (54%) and before the Czech Republic (50%).

70% of trade with EU

In 1999, 70% of Hungary's trade was carried out with the EU (see table 1). Four out of Hungary's top five trading partners were EU member states with Germany leading the way. Only Russia (ranked fourth on the import side) and the USA (fourth as an export market) managed to break into the phalanx of EU countries. This points to the close links Hungary has forged already on its way to integration into the European Union. It appears that Hungary has developed into a favourable location for many Western firms seeking to outsource assembly. Other candidate countries have experienced similar changes. Hungary's main imports in 1999 were in machinery and equipment (including parts and accessories) while it exported substantial amounts car engines, computers and video recorders.

Compares to Portugal

How would Hungary's external trade statistics feature amongst those of EU Member states? For example (see ratios in figure 2), Hungary exported slightly more than Portugal (EU intra + extra imports) in 1999 and more than Greece and Luxembourg, but substantially less than most other EU Member states. In terms of imports, its trade figures were close to those of Greece, Finland and Portugal.

Also, Hungary's cover ratio (exports in relation to imports) in 1998 was close to the cover ratio of the United Kingdom and Austria.

Tab. 1 Hungary's trade by main partners, 1999

Partners	1997	1998	1999	Share in 1999	Variation 99/98
	(Mio euro)			(%)	
Imports					
Total	18 724	22 930	26 286	100.0	14.6
EU-15	11 751	14 699	16 930	64.4	15.2
Germany	5 045	6 466	7 681	29.2	18.8
Austria	1 978	2 202	2 344	8.9	6.5
Italy	1 376	1 731	2 028	7.7	17.1
Russian feder.	1 731	1 486	1 539	5.9	3.5
France	816	1 113	1 231	4.7	10.5
Exports					
Total	16 842	20 521	23 487	100.0	14.5
EU-15	11 995	14 969	17 902	76.2	19.6
Germany	6 267	7 510	9 016	38.4	20.0
Austria	1 929	2 181	2 249	9.6	3.1
Italy	1 037	1 180	1 386	5.9	17.4
United States	545	932	1 220	5.2	30.8
Netherlands	474	968	1 214	5.2	25.4

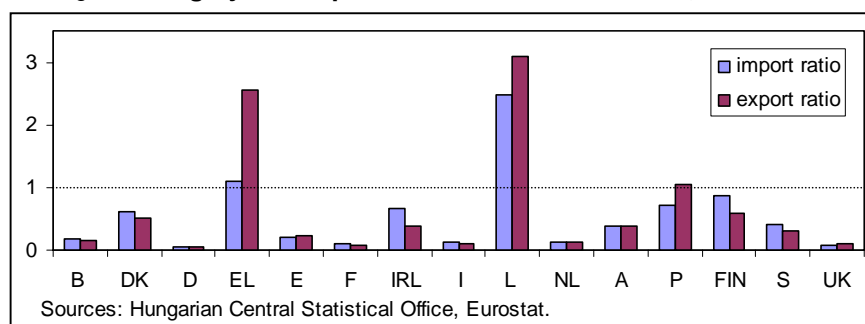
Source: Hungarian Central Statistical Office.

Tab. 2 Hungary's main imports and exports, 1999

HS products	1999	Share in total	Variation 99/98
	(Mio euro)	(%)	
Main imports			
84 Machinery and mechanical appliances	5 668	21.6	15.3
8473 + 8409 Parts and accessories	2 498	9.5	20.2
85 Electrical machinery and equipment	5 425	20.6	23.4
8522 + 8523 Parts and accessories	977	3.7	4.7
87 Road vehicles	2 301	8.8	35.5
8708 Parts and accessories	704	2.7	63.6
8703 Motor cars for the transport of persons	696	2.6	24.2
Main exports			
84 Machinery and mechanical appliances	6 734	28.7	21.4
8471 Automatic data processing machines	2 086	8.9	34.7
8407 Engines	2 050	8.7	9.2
85 Electrical machinery and equipment	4 189	17.8	8.6
8521 Video recording or reproducing appar.	638	2.7	8.4
87 Road vehicles	2 087	8.9	65.9
8703 Motor cars for the transport of persons	1 249	5.3	156.0

Source: Hungarian Central Statistical Office (data are provisional).

Fig. 2: Hungary in comparison¹ to EU Member states, 1999



¹ The import ratios above are calculated by dividing the value of Hungary's total imports by the value of total imports of each Member state - hence a ratio close to one implies that total import values are very similar. Export ratios are calculated accordingly.

EU's 8th most important trading partner

As mentioned above, external trade relations with the EU were of considerable importance to both Hungary and the EU Member states.

In particular Germany was the single most important trading partner (absorbing roughly 49% of Hungarian imports into the EU and behind around 46% of EU exports), followed by Austria and Italy (see table 3). Most other EU Member states had weaker trade relations with Hungary with around three quarters of all EU-Hungarian trade conducted by these three countries. Hungary on the other hand was the EU's 8th most important trading partner, overtaking the Czech Republic in 1999 and behind Poland among Central European countries.

Automobiles on the rise

EU-Hungarian trade by product was characterised by a substantial increase in imports in automobiles and equipment goods into the EU between 1996 and 1999 – although intermediary goods represented a larger share in total imports (see table 4). This surge in automobile trade in recent years is to be found in many other countries of the region. Overall patterns show that considerably more intermediary goods were exported to Hungary than imported into the EU, while in return more Hungarian consumer goods found their way back into the Union.

Tab. 3 EU trade with Hungary by Member states, 1999

Reporter	Imports			Exports			Balance	
	1999	Share	99/98	1999	Share	99/98	1999	Variation 99/98
	(Mio euro)	(%)		(Mio euro)	(%)		(Mio euro)	
EU-15	17 338	100.0	18.3	18 611	100.0	10.4	1 273	-935
B	720	4.2	:	1 038	5.6	:	317	:
DK	102	0.6	-3.7	127	0.7	-2.1	26	1
D	8 466	48.8	18.9	8 485	45.6	9.4	20	-616
EL	71	0.4	-16.4	47	0.3	-1.5	-24	13
E	351	2.0	11.5	372	2.0	6.2	21	-15
F	1 054	6.1	22.4	1 138	6.1	8.9	84	-100
IRL	256	1.5	142.3	170	0.9	81.9	-87	-74
I	1 413	8.2	13.3	1 838	9.9	9.5	424	-6
L	5	0.0	:	28	0.1	:	22	:
NL	1 155	6.7	33.5	818	4.4	17.5	-337	-168
A	2 378	13.7	8.8	3 176	17.1	12.0	798	149
P	70	0.4	18.2	82	0.4	23.5	12	5
FIN	99	0.6	9.8	260	1.4	12.5	161	20
S	222	1.3	13.1	302	1.6	7.0	80	-6
UK	976	5.6	22.4	731	3.9	0.9	-246	-172

Source: Eurostat.

Tab. 4 EU-Hungary trade by product classified by type of use

Reporter: EU-15, partner: Hungary

Product groups (CEA)	Imports	Exports	Share in total		Annual variation 99/96	
	1999	1999	Imports	Exports	Imports	Exports
	(Mio euro)		(%)		(%)	(%)
Agricultural products	429	118	2.5	0.7	3.5	6.0
Food products	719	321	4.2	1.8	0.9	1.7
Consumer goods	3 610	2 794	20.9	15.4	22.1	22.2
Automobile	4 255	3 619	24.7	20.0	48.8	47.1
Equipment goods	3 451	4 568	20.0	25.2	44.1	22.8
Intermediary goods	4 412	6 438	25.6	35.5	14.2	16.3
Energy	246	105	1.4	0.6	-5.8	-2.2
Miscellaneous products	132	151	0.8	0.8	3.6	0.5

Source: Eurostat.

➤ ESSENTIAL INFORMATION – METHODOLOGICAL NOTES

The country aggregates: EU: EU-15.

Data sources: Customs sources. Eurostat Comext database: Phare domain for Hungary's trade with the rest of the world; EEC special trade domain for bilateral trade between the EU and Hungary.

System: Special trade. Since 1997, trade data include trade between industrial customs free zones and foreign markets. Since 1997 also, operative leasing and repair are excluded from external trade turnover. The data for the period up to 1997 are published using the original methodology. The data for 1996 recalculated according to the methodological change of 1997 are 14.3 Bn euro (total imports) and 12.3

Bn euro (total exports) instead of 12.7 Bn euro and 10.3 Bn euro respectively.

Classification: Table 2: Harmonised system (HS) nomenclature. Table 4: Classification for Economic Analysis (CEA) which facilitates the analysis of macroeconomic issues (production, investment, consumption, employment, etc.) by offering indicators which are less geared to production analysis.

Statistical values: EU: CIF values for imports and FOB values for exports; Hungary: CIF/FOB.

In this report, 1 Bn euro= 1000 million Euro

Basic figures for 1999

	Hungary	EU-15
Population (Mio.)	10.1	375.3
GDP/capita (in PPS)	10 700	21 190
Unemployment rate	7.0%	9.2%
Inflation rate	10.0% *	1.2%

* PROXY HICP

See also "Eurostat Statistics in focus, External trade, no 5/97, Hungary's foreign trade" which you can order. For further information, please consult www.europa.eu.int/comm/eurostat/

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