



CO-OPERATION PROGRAMME  
FOR A SUSTAINABLE PARTNERSHIP BETWEEN  
SMES OF THE MECHANICAL INDUSTRY  
FROM E.U. AND CHINA

# GUIDE FOR BUSINESS HUNGARY



## SOCIO-CULTURAL ANALYSIS

- FAMILIES (Average number of family members in 2004) **3,32**
- HOUSING  
Average surface **78 m<sup>2</sup>**  
Percentage of owned houses **92%**  
Percentage of rented houses **8%**
- EDUCATIONAL DEGREE  
Degree **8,6%**  
High School Diploma **12,6%**  
Secondary Education **64,7%**  
Literate People without educational qualification **13,7%**  
Illiterate People **0,4%**



# INDUSTRIAL SECTORS OF THE DISTRICT

## Structure of the Hungarian GDP:

- Industry: 74%, Agriculture: 11%, Construction industry: 15 %
- Proportion of the processing industry of the whole industry: 91%

## Structure of the industrial sectors:

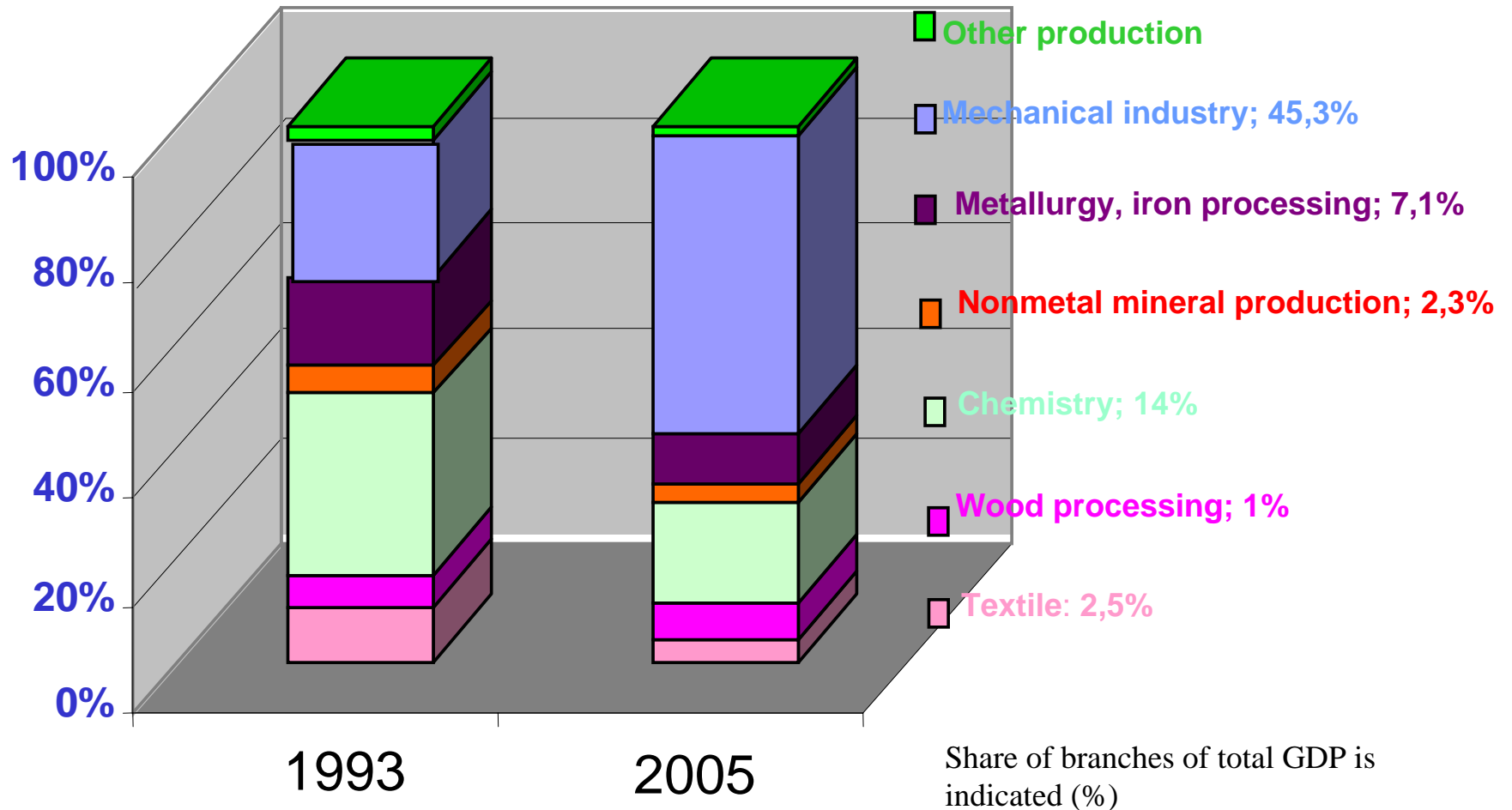
- Structure of the processing industry: 45,3% (28% of the production)
- Chemical industry: 10%
- Printing and paper industry: 3,5%
- Textile industry: 1,5%
- Wood processing: 1%

## Number of Employees:

- 3 901 500 total
- 7,08% (276 400) in the mechanical sector



## INDUSTRIAL SECTORS OF THE DISTRICT (74% of total GDP)





# THE MECHANICAL SECTOR: ENTERPRISES AND EMPLOYEES

Number of registered corporations and unincorporated enterprises by industries, 2004.

Code	Industry, branch	Total	Of which					
			limited liability company	joint stock company	co-operative	Unlimited partnership	limited partnership	Sole proprietor
DK	Manufacture of machinery and equipment n.e.c.	8 473	2 378	70	61	146	1 442	4 320
DL	Manufacture of electrical and optical equipment	9 011	2 652	90	46	201	1 924	4 046
DM	Manufacture of transport equipment	1 060	502	19	8	15	226	281



# THE MECHANICAL SECTOR: ENTERPRISES AND EMPLOYEES

Average statistical staff number of employees in industry *by classes*, \* 2004 (continued).

Code	Denomination			Staff number
				total,
				persons
<b>DK</b>				<b>59 150</b>
29		<i>Manufacture of machinery and equipment n.e.c.</i>		59 150
<b>DL</b>			<b>30+31+32+33</b>	<b>140 529</b>
30		<i>Manufacture of office machinery and computers</i>		7 629
3002		<i>Manufacture of computers and other information processing equipment</i>		6 679
31		<i>Manufacture of electrical machinery and apparatus n.e.c.</i>		67 386
3150		<i>Manufacture of lighting equipment and electric lamps</i>		20 340
3161		<i>Manufacture of electrical equipment for engines and vehicles n.e.c.</i>		20 306
32		<i>Manufacture of radio, television and communication equipment and apparatus</i>		51 007
3210		<i>Manufacture of valves and tubes and other electronic components</i>		18 342
3230		<i>Manufacture of television and radio receivers, sound or video recording or reproducing apparatus and associated goods</i>		28 367
33		<i>Manufacture of medical, precision and optical instruments, watches and clocks</i>		14 507



# THE MECHANICAL SECTOR: ENTERPRISES AND EMPLOYEES

Average statistical staff number of employees in industry *by classes*, \* 2004.

Code	Denomination			Staff number
				total,
				persons
<b>DM</b>			<b>34 + 35</b>	<b>48 114</b>
34			<i>Manufacture of motor vehicles, trailers and semi trailers</i>	39 758
3410			<i>Manufacture of motor vehicles</i>	10 138
3430			<i>Manufacture of parts and accessories for motor vehicles and their engines</i>	27 793
35			<i>Manufacture of other transport equipment</i>	8 356
<b>Total</b>			<b>DK+DL+DM</b>	<b>247 793</b>

\* Data of enterprises with more than 4 employees.  
Source: Annual institutional labour statistical survey.



## THE MECHANICAL SECTOR: ENTERPRISES' FEATURES

Percentage of enterprises compared to the total annual turnover of the mechanical sector's enterprises:

- ❑ 54% less than 2 million euro
- ❑ 26% from 2 to 10 million euro
- ❑ 14% from 10 to 50 million euro
- ❑ 6% more than 50 million euro



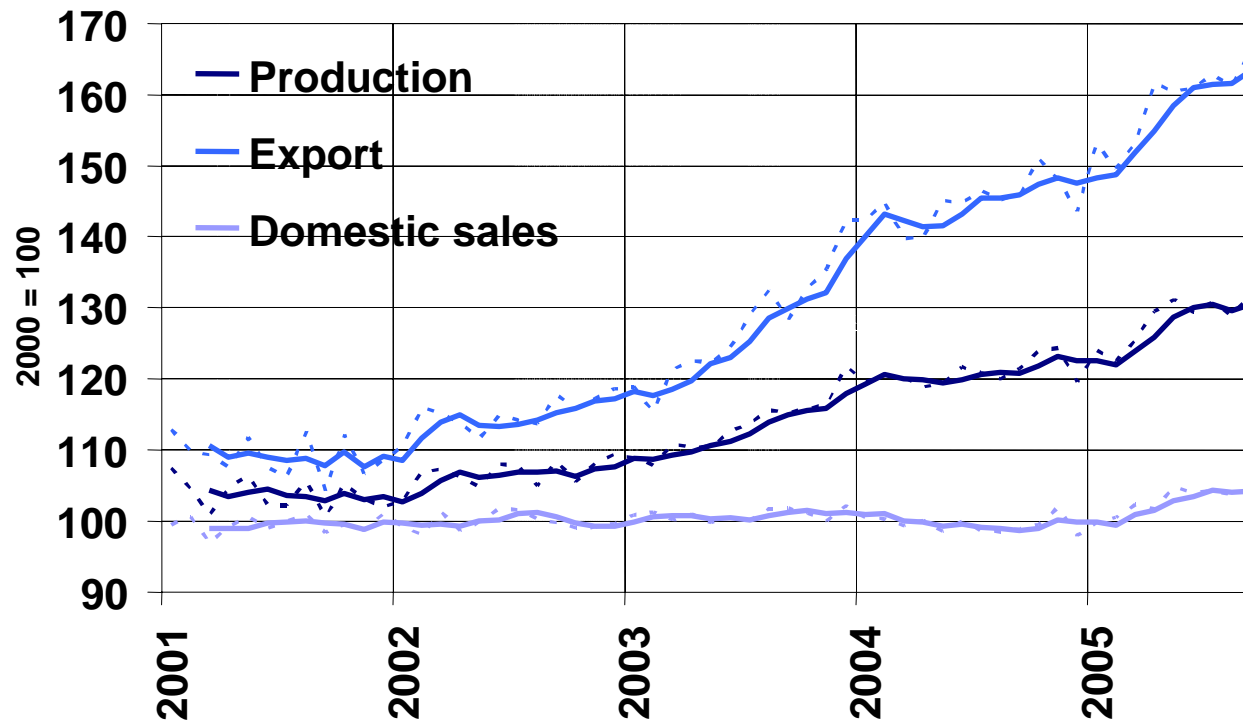
## ECONOMIC ANALYSIS

- DENSITY OF ENTERPRISES – nr. of enterprises/surface **7,53**  
(enterprises per km<sup>2</sup>)
- ENTREPRENEURSHIP INDEX – tot. nr. enterprises/res. pop. **0,1**  
(10 entrepreneurs on 100 inhabitants)
- BIRTH RATE (2003)– nr. new enterprises/tot. nr. enterprises **10,2**
- DEATH RATE (2002)– nr. ceased enterprises/tot. nr. enterprises **9,6**



# THE MECHANICAL SECTOR: EXPORT

Export trend in the mechanical industry from 2001 to 2005.





# THE MECHANICAL SECTOR: EXPORT

The first outlet countries, by absolute value (in Euro), for mechanical enterprises in 2005.

Country	Export of the Hungarian mechanical industry (Mil EUR)
Germany	10050,7
United Kingdom	1705,1
France	1630,5
Nederland	1353,0
Finland	1351,0
Spain	1304,4
Austria	1198,1
Italy	989,1
Czech Republic	899,5
Romania	875,8



## THE MECHANICAL SECTOR: EXPORT

Expectations of mechanical sector's entrepreneurs about the commercial activities abroad in the period 2006-2007.

- in sharp decrease
- in decrease
- stable
- in increase
- in sharp increase



# THE MECHANICAL SECTOR: IMPORT AND EXPORT

Mechanical industry imports and exports trend (2003-2005) Hungary-China.

	2003	2004	2005
Import from China (mechanical sector)	708.2 M EUR	1980 M EUR	2416 M EUR
Export to China (mechanical sector)	109 M EUR	265 M EUR	256 M EUR



## RELATIONSHIPS WITH CHINA

In the Central-European region Hungary is the most important commercial partner of China.

China is the most important Asian partner of Hungary, 6th in the order of countries in the world.

Chinese business infrastructure in Hungary: Bank of China and Air China representation, China Mart, Asia Center and over 3000 companies in Chinese ownership.

In the past few years the Hungarian-Chinese economic relations became more and more active and the trade relations appeared in constant growth.

It is important to emphasize that the bilateral trade is not balanced, as during the last year about 400 million USD of import was realized to China against about 3,5 billion USD export to Hungary. The main part of the Chinese export are spare parts which are usually re-exported to the neighboring and other EU countries in order to be used for the realization of the final product.

Structure of import from China: 84% machinery and equipments, 15,5% processed goods.

The first governmental commercial agreement between the two countries was dated in the year 1990, while in 2004 a new Agreement on Economic Cooperation was signed.

From August 2004 there is a direct flight between Beijing and Budapest and in September 2004 the Hungarian-Chinese bilingual school was opened in Hungary.



## HOW WE SEE CHINA

The interest of the Hungarian business sector towards China is significant and rapidly growing. However there are many difficulties and challenges which should be answered by Hungarian (moreover by European) companies. The main ones of them are the low rate of the prices of Chinese products and the realized quality problems together with the discrepancies in the field of protection of the intellectual property.

Due to it's measures, the Chinese market is extremely attractive for the Hungarian companies. Some of them also plan to invest in China and/or place their production in the country.



## MAJOR ASSETS AND WEAKNESSES

The industrial product in Hungary has been growing for years thanks mainly to the results of mechanical industry. The development of this industry indicates that there is a healthy core in the Hungarian economy which is due mostly to the fact that it was here that the necessary changes had happened at a determined level.

Taking a closer look, one can see that the mechanical industry is the only dynamic branch of processing industry as it was the one which could increase its export to the greatest extent (by one-third) even back in 1996.

One of the most important elements of this industrial structural change was the transformation of the ownership structure according to the requirements of the market economy. In addition, the lasting and long-term domestic introduction of modern technologies (in order to create a competitive product structure) can also be implemented with an increase in investments.

Its fast growth was based on the exploitation of opportunities at the foreign markets, a better organization of work and production, and the use of capacity reserves.

The results of mechanical industry are definitely due to an export-boom that pulls along the industrial product and the export as a result of the investments of multinational corporations and the work of a few thousand employees.

However, the production – together with the export – of the Hungarian mechanical sector is in growth and this development is generated by the multinational companies. The production of the small and medium sized enterprises is stable, even in decrease. The SME sector gives only 3-4 % of the whole production of the Hungarian mechanical industry.