

HUNGARY

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Despite a number of difficulties, Hungary's switch to a market economy after earlier political changes is finally reaching completion. Many industries, even those large established businesses such as coal mining, have been badly affected by the process. Therefore the working capital invested in Hungary by foreign enterprises has been a welcome boost to the economy, and the volume of the investment is now approaching US\$10 billion.

Focusing on the activities of a few large investors in Hungary, Suzuki produces 80,000 cars annually for sale both in Hungary and abroad from its plant at Esztergom which provides employment for 1,600 people. GE Hungary Rt, the affiliated branch of General Electric Co., has invested US\$15 million in a new aircraft engine manufacturing plant at Veresegyháza whilst French car component manufacturer, Faurecia, is to invest €20 million at Vasvár. The Finnish Prime Minister recently opened a new Nokia manufacturing unit in Komárom and Samsung Electro Mechanics (SEMCO) is building a new factory for an investment of US\$21 million.

Siemens, meanwhile, has successfully completed three projects – electrification of the Hungarian Railways, development of the GIR communication network for the Hungarian Railways, and installation of a gas turbine at the power station in Lőrinci. The Danish manufacturer Grundfos has established a pump-manufacturing business in Tatabánya for an investment of US\$18 million, and the EU has provided financial assistance totalling €17 million for the modernisation of the trans-shipment station at Záhony which handles most of the goods transported by rail to Russia. A number of Austrian companies have invested some S22 billion in Hungary since the early 1990s whilst Indian companies are planning to invest

several hundreds of million dollars within the next three years, mainly in Hungary's telecommunication sector.

The achievements of local investors have also been remarkable, even if they do not compare to the volume of foreign investments. The RÁBA Works in Győr, that manufactures parts for heavy motor vehicles, recorded a return of some Ft30 billion last year. At the Tiszai Vegyi Kombinát Rt (Tisza Chemical Plant), a new, unique technology has been developed for processing and recycling plastic waste. As recent research has shown, the new product, with the brand name Syntumen, increases the solidity and durability of asphalt on road surfaces. Elsewhere, the Ganz Heavy Machinery Plant has now been established as the legal successor of the former GANZ Machinery Works and boat-building has re-started there, while the range of products of the Ikarus car factory has been widened with the addition of a new four-wheel-drive vehicle. A new cargo terminal for river transport has been opened at Gönyű with an aid package from the PHARE programme. The three sections of the wharf and additional service buildings have been completed on time.

The number of industrial units qualifying as 'industrial parks' has increased to 133, and several hundreds of companies exist in this framework, employing tens of thousand people. The increasing number of 'industrial parks' and their progress are a very important factor in transforming the economy since economic growth is always determined largely by the output of the manufacturing industries. Productivity in the industrial sector increased by 18% in 2000 and exports were 20% higher than the previous year.

According to data published by the Hungarian Central Statistical Office, the Hungarian

economy has achieved its best performance since the collapse of the former Communist system during the early 1990s and, moreover, the economic balance of the country has remained stable. GDP increased by 5.3% during 2000 and the number of working enterprises in the country reached 359,000. Unemployment decreased by 6.4%.

In order to prevent a slow-down of economic growth, the government has prepared a new policy, the so-called Széchenyi Plan, that will form the basis for action and an assurance of future progress. The plan covers seven major areas, including support for enterprises, and housing and family issues. There is also a plan for supporting the tourist industry whilst a special chapter deals with the media and with information technology. Plans for building new motorways and programmes for regional economic development are also included. To realise the Széchenyi Plan, Parliament has voted a budget of Ft526 billion for 2001-2002.

Oil, Natural Gas and Coal

Hungary's known crude oil reserves are about 19.3 Mt, and oil production was 1.1 Mt last year. An additional 6-7 Mt are imported annually, mainly from Russia but with a smaller amount from the Middle East and from African countries. Most of the crude oil is processed at the refinery in Százhalombatta, where petrol, diesel and high quality lubricating oil are produced.

In the search for new oil fields, some 37,000 m of trial drilling has been conducted recently at 14 new sites, including one site in the centre of the town of Szeged, 170 km south of Budapest. The search for new oil fields, and the mining and marketing of hydrocarbon products, is carried out by MOL Rt in which the state holds a 36% interest. Other shares are owned mainly by foreign private investors. The most important oil fields are still in the region of Szeged and Nagykanizsa, and around 3.0 billion m³ of natural gas is produced from the Szeged oil fields and at Hajdúszoboszló.

During recent years, large amounts of methane have been removed from coal mines in the Mecsek mountains, which were then still in production. The amount of methane in the region is estimated at some 120 billion m³ to a depth of 1,500 m, making it Hungary's second largest reserve after the Algyő field, but a safe technology for developing it is not yet available. Substantial damage was incurred by burning the gas at Pusztaszőlős-34 where the outlet caught fire during routine maintenance work in mid-August 2000. The ensuing fire took 90 working days to extinguish.

Having given up the search for new resources, the new business strategy of MOL Rt concentrates on production and processing. As a result, the company is planning to sell its ROTARY Rt drilling business, based in Nagykanizsa. In addition, it has bought one third of the shares and assets of the Slovakian company Slovnaft for US\$262 million, and it also has plans for a merger with the Croatian company, INA. At present, only three foreign oil companies (Coastal Hungary Ltd, Blue Start 95 Kft, and Mobil Erdgas-Erdöl GmbH) carry out hydrocarbon exploration in concession areas.

The most recent survey estimated Hungary's industrial coal reserve to be 1.8 Gt and in 2000, some 700,000 t of hard coal were mined plus 5.2 Mt of brown coal and 7.9 Mt of lignite. Power stations account for 92% of coal production but the demand for coal from underground mines has decreased dramatically as most power stations have switched to gas. In addition, a government decree integrated some of the coal mines into the coal-burning power stations and those smaller mines that were omitted from this integration process were closed down or switched to produce fuel for domestic use. Miners were made redundant and forced to take early retirement if close to retirement age. For younger people re-training was offered, and a small number of people even took up work in Spain.

Coal production (with the exception of lignite) has dropped to a minimum, although Móutrai Erőmű Rt, owned by Rheinbraun of Germany, has confirmed that its open-pit mining operations at Visonta and Bükkábrány are working at a high capacity.

Ore Mining

Many of Hungary's hard-rock mines are either exhausted or have had to close down because of economic difficulties. The shafts and tunnels of the deep copper mines at Recsk, for example, have been closed by deliberate flooding.

However, a resource of 35 Mt of precious metal-bearing, enargite copper ore at Recsk has been outlined, at an average grade of 1.47 g/t Au. A similar deposit at Telkibánya is estimated to host a reserve of some 1.6 Mt averaging 2.87 g/t Au. Exploration is continuing at both Recsk and Lahóca, albeit at a reduced rate. Research is mainly concentrating on developing more economical technologies for extracting gold, whilst the dearth of actual mining is blamed on economic hardship.

Reserves of bauxite, meanwhile, amount to 16 Mt and last year, some 1 Mt were mined. The Hungarian aluminium industry is now suffering a heavy crisis, since the termination of supply contracts with the former Soviet Union and the drop in the price of aluminium on the world market. After a government decree on the privatisation of the sector, the only working bauxite mine, Bakonyi Bauxitbányája Kft., was privatised in 1996. The following year, the company's alumina refinery was also sold. The restructured aluminium industry, though aware of the future need of the customers, can survive with a stable 950,000 t/y bauxite production, and additional sales of raw material, for quite a long period.

As a consequence of the reduction in the so-called 'black-ore' mining in Hungary, there is now only one operational manganese mine at Úrkút. The manganese deposits mainly consist of minerals in the form of carbonates, and further research is needed to develop economic extraction technologies. The amount of manganese ore that can be mined cost-efficiently is about 37 Mt and it contains about 18% Mn, 9% Fe and 19% SiO₂. The total production in this sector has been about 10,000 t/y in recent years.

Non-Metallic Minerals

There are around 2,000 sites in Hungary where larger amounts of non-metallic minerals have been located. These include a variety of raw materials used in the mining or building industry and for soil improvement (eg peat, lime-sediment). Of the surveyed geological resource of 15.3 Gt, slightly more than half can be exploited profitably.

The ownership in this sector is divided between foreign and joint foreign and Hungarian companies, the foreign investors owning the larger mines. In the Trans-Danubian region of the country, the majority of owners are German or Austrian, and in the north, French interest is prominent. The less important sites (for mining sand and clay) are mainly held by Hungarian investors.

Metal and Mineral Production in Hungary (t except where stated)			
Commodity	1998	1999	2000*
Crude oil	1,257,830	1,242,855	1,136,361
Natural gas (billion m ³)	4.3	3.1	3.0
Hard coal	877,028	737,589	725,525
Brown coal	6,007,556	6,007,698	5,206,790
Lignite	7,609,715	7,695,674	7,873,326
Manganese ore (oxide)	15,000	10,000	10,000
Bauxite	1,138,836	900,000	1,046,470
Bentonite (raw)	20,122	9,301	4,818
Perlite (raw)	130,000	148,000	150,000
Glass sand	241,434	490,400	500,000
Foundry sand	172,300	175,000	173,000
Alumina	180,000	295,000	-
Crude steel	1,939,784	1,900,000	1,969,344

* preliminary data.

Most of the state-owned enterprises in this sector have been privatised across the country, and, in most cases, new technologies implemented. The Irish company, Navan Mining, has acquired four of these mines and established a new company, Ásvóunyvőullalat Kft to manage the operations. These include a perlite mine in

Pálháza, which produces one of the best quality perlites worldwide, a 200,000 t/y gypsum quarry at Rudabánya which supplies Hungary's cement industry, a filter and foundry sand quarry at Sóskút which sells most of its production to Arab countries, and a glass sand operation at Fehérvárcsurgó. The production of this sector reached 5 Mt.