

EBS/82/205

CONFIDENTIAL

November 10, 1982

To: Members of the Executive Board

From: The Secretary

Subject: Hungarian People's Republic - Use of Fund Resources -  
Compensatory Financing Facility

Attached for consideration by the Executive Directors is a paper on a request expected to be received from the Hungarian People's Republic for a purchase equivalent to SDR 72.0 million under the compensatory financing facility. A draft decision appears on page 13.

This subject, together with Hungary's request for a stand-by arrangement (EBS/82/206, 11/10/82), has been tentatively scheduled for discussion on Wednesday, December 8, 1982.

Att: (1)



INTERNATIONAL MONETARY FUND

HUNGARIAN PEOPLE'S REPUBLIC

Use of Fund Resources--Compensatory Financing Facility

Prepared by the Research and European Departments

(In consultation with the Exchange and Trade Relations,  
Legal and Treasurer's Departments)

Approved by L.A. Whittome and Charles F. Schwartz

November 10, 1982

The Managing Director has been informed that the Hungarian authorities will shortly request a purchase of SDR 72.0 million (19.2 per cent of quota) under the compensatory financing decision. The request is being made with respect to a shortfall in earnings from merchandise exports for the year ended June 1982. A request for use of Fund resources under a one-year stand-by arrangement in an amount equivalent to SDR 475 million (126.7 per cent of quota) is expected to be considered by the Executive Board concurrently with the present CF request. If the two requests are approved and the resources are fully used, the Fund's holdings of forints would be raised from 100.0 per cent to 245.9 per cent of quota.

This paper, which is being circulated in advance of the formal request from Hungary, is presented in four sections and an annex. The sections deal with: (1) the balance of payments position, (2) estimation of the export shortfall, (3) causes of the shortfall and export prospects, and (4) staff appraisal and proposed decision. The relations of Hungary with the Fund are summarized in Annex I.

1. Balance of payments position <sup>1/</sup>

After improving markedly in 1980, when the current account deficit was reduced to SDR 0.4 billion and a continued net capital inflow allowed an increase in reserves of SDR 0.4 billion to the comfortable level of SDR 1.7 billion, the external position of Hungary deteriorated sharply in 1981 to record an overall deficit of SDR 0.5 billion (Table 1). This worsening occurred despite a surplus in the trade account. A large increase in payments on Hungary's foreign debt, due mainly to the major rise in interest rates on world financial markets, led to a severe deterioration in the services account, so that the current account showed a deficit of

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<sup>1/</sup> Trends in the balance of payments in recent years are analyzed in greater detail in SM/82/176 (8/25/82) and SM/82/186 (9/17/82).

Table 1. Hungary: Balance of Payments, 1978-83

(In millions of SDRs)

	1978	1979	1980	1981	Estimate 1982 <u>1/</u>	Forecast 1983 <u>2/</u>
A. Current account	-1,148	-729	-443	-761	-397	388
Trade balance	-948	-433	-110	33	459	866
Exports	5,244	6,153	6,820	7,542	8,301	8,937
Imports	-6,192	-6,586	-6,930	-7,509	-7,842	-8,071
Net services and transfers	-200	-296	-333	-794	-856	-479
B. Capital account	1,453	542	945	362	-878 <u>3/</u>	-263 <u>3/</u>
Medium- and long-term credits, net	911	724	602	841	23	-287
Short-term credits, net	542	-182	343	-479	-901 <u>3/</u>	24 <u>3/</u>
C. Errors and omissions, net	-163	-12	-99	-59	...	...
D. Overall balance (A+B+C)	142	-199	403	-458	-1,275	125
E. Change in reserves <u>4/</u> (- increase)	-142	199	-403	458	1,275	-125
Gold	(-107)	(155)	(-163)	(311)	(329)	(--)
Foreign exchange	(-35)	(44)	(-240)	(147)	(730)	(-458)
Use of Fund resources	--	--	--	--	(216)	(333)
<u>Memorandum item:</u>						
Level of official reserves <u>5/</u>	1,468	1,401	1,653	1,478	716 <u>6/</u>	

Sources: National Bank of Hungary; and staff estimates.

1/ SDR/US\$ rate for 1982 calculated as an average of quarterly rates, assuming no change during the last quarter.

2/ SDR/US\$ rate for 1983 calculated at end-of-September 1982 rate.

3/ Includes errors and omissions.

4/ Includes changes in gold holdings valued at market prices.

5/ Includes gold holdings valued at SDR 35 per ounce.

6/ End of September 1982.

SDR 0.8 billion, equivalent to 4 per cent of GDP. With a lower net capital inflow in 1981 than in previous years, the current account deficit was financed in part by a reduction in reserves to SDR 1.5 billion at end-1981.

The balance of payments position worsened dramatically in the first half of 1982 before recovering partially in the second half of the year. The current account deficit showed a particularly large deficit in the first quarter of 1982, when the deficit in convertible currencies reached SDR 234 million. This continued deterioration, together with a hardening of commercial banks' attitudes toward lending to Hungary, led to a massive withdrawal of short-term deposits held at the National Bank of Hungary, so that official reserves fell from SDR 1.5 billion at end-1981 to SDR 0.4 billion at end-March 1982. In response to this liquidity crisis, the authorities implemented more rigorous stabilization efforts, <sup>1/</sup> and the balance of payments position improved gradually in the course of 1982. For the year as a whole, the trade surplus is expected to rise to SDR 0.5 billion, while the deficit on services is projected to increase to SDR 0.9 billion; the current account deficit is estimated to be reduced to SDR 0.4 billion. As the capital account also showed some slight improvement after the difficult first quarter, the overall deficit for the year is expected to be limited to SDR 1.3 billion, which is nevertheless about SDR 0.8 billion larger than the deficit for 1981. At end-September 1982, reserves amounted to SDR 716 million, equivalent to about five weeks of merchandise imports in 1982.

The balance of payments adjustment measures taken during 1982 are being intensified for 1983. Hungary has requested a stand-by arrangement with the Fund to support the stabilization program, which is described in a forthcoming paper. The program aims at achieving a current account surplus in convertible currencies of US\$600 million (about SDR 550 million) in 1983, and the balance on both convertible and nonconvertible currencies is projected to show a surplus of SDR 388 million; the trade surplus is projected to rise to SDR 0.9 billion in 1983, while the deficit on services is projected to be lower, at SDR 0.5 billion. The deficit on capital account is projected to decline due to a reduced level of foreign debt and lower average cost of borrowing; the overall balance of payments for 1983 is projected to record a small surplus of SDR 125 million.

## 2. Estimation of the export shortfall

The growth rate of Hungary's exports declined from 17 per cent in 1979/80 and 10 per cent in 1980/81, to 7 per cent in the shortfall year (1981/82), when earnings amounted to SDR 7,191 million. Growth in earnings is projected to recover at an average rate of 10 per cent during each of the two post-shortfall years to an average of SDR 8,252 million. On the basis of these movements, the shortfall based on actual exports for the year ended June 1982 is estimated at SDR 72.0 million, which is the amount of the proposed purchase (Table 2).

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<sup>1/</sup> Economic policies are described in the staff paper on Hungary's request for a stand-by arrangement to be issued shortly.

Table 2. Hungarian People's Republic:  
Estimation of the Export Shortfall

(In millions of SDRs)

	Years Ending June			Projected Exports 1/	
	1980	1981	1982	1983	1984
Exports	6,125	6,738	7,191	7,850	8,675
Shortfall			72.0		
Proposed purchase			72.0		

1/ Based on the judgmental forecast of earnings given in Table 4.

### 3. Causes of the shortfall and export prospects

The deceleration in the rate of growth in Hungary's exports was due to a decline in the rate of increase in exports denominated in non-ruble currencies. 1/ As shown in Table 3, a sharp decline in the rate of growth in non-ruble exports from an annual average of 17 per cent during the two pre-shortfall years to 4 per cent in the shortfall year was only partly offset by a doubling of the rate of growth (from 6 per cent to 12 per cent) in ruble exports; the latter accounted for nearly half of total exports in 1981/82, and show an excess because of the sharp acceleration in that year. Consequently, ruble exports did not contribute to the shortfall in total exports.

The non-ruble exports were adversely affected by the weakness of foreign demand, which was primarily due to (i) the deepening world recession and (ii) difficulties over market access to some industrial countries. The recession was mainly responsible for the shortfalls in metallurgical products (SDR 27.4 million), chemicals (SDR 10.3 million) and light manufactures (SDR 20.4 million), and some of the machinery and engineering goods (SDR 29.2 million). Trade restrictions contributed to the shortfalls experienced in some agricultural exports, including cattle and beef (SDR 10.6 million), and processed meat (SDR 3.1 million), and in some metallurgical products such as rolled steel products (SDR 20.3 million) (Table 3).

1/ Hungary's export transactions are classified in ruble and non-ruble currencies. The ruble transactions cover most of Hungary's exports to the U.S.S.R. and other CMEA countries. Exports in non-ruble currencies are not entirely in convertible currencies, since they include some transactions under bilateral trade.

Table 3. Hungary: Export Earnings and Shortfalls by Major Commodities

	Years Ending June								Shortfall	
	1977	1978	1979	1980	1981	1982	1983	1984	Geometric	Arithmetic
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----- (In millions of SDRs) -----										
Total	4,373.9	4,804.9	5,226.3	6,124.9	6,738.2	7,191.0	7,850	8,675	72.0	124.8
By currency: 1/										
Non-ruble	1,972.1	2,130.9	2,468.0	3,024.9	3,402.1	3,549.0	3,976	4,369	85.8	115.2
Ruble	2,154.0	2,451.0	2,513.9	2,675.0	2,846.1	3,182.0	3,444	3,831	-12.9	13.6
By commodities: 2/										
Agricultural and food products	1,276.1	1,419.1	1,476.4	1,792.3	2,253.4	2,353.6	2,552	2,844	-21.4	5.5
Of which:										
Beef and cattle	(99.9)	(124.7)	(139.8)	(156.1)	(162.2)	(158.1)	(174)	(196)	(10.6)	(11.2)
Canned vegetables and fruits	(106.8)	(149.6)	(144.5)	(155.1)	(162.4)	(167.3)	(200)	(233)	(14.1)	(16.3)
Processed meat	(55.0)	(59.1)	(60.1)	(65.2)	(63.6)	(63.9)	(70)	(73)	(3.1)	(3.2)
Wine	(79.2)	(86.6)	(93.1)	(98.7)	(105.8)	(114.6)	(148)	(155)	(7.8)	(9.8)
Metallurgical products	427.6	405.6	495.9	581.1	499.5	543.6	588	654	27.4	29.6
Of which:										
Rolled steel products	(262.1)	(213.0)	(288.8)	(347.9)	(246.8)	(256.9)	(262)	(283)	(20.3)	(22.4)
Alumina and aluminum products	(125.6)	(121.3)	(154.3)	(179.6)	(169.8)	(207.1)	(238)	(271)	(2.8)	(6.0)
Chemical products	454.3	532.1	561.4	777.0	888.3	924.6	1,013	1,105	10.3	17.0
Of which:										
PVC	(5.3)	(5.9)	(32.9)	(45.0)	(40.8)	(34.9)	(40)	(44)	(5.9)	(6.0)
Light manufactures	574.4	609.7	651.3	685.8	745.2	766.2	826	931	20.4	24.6
Of which:										
Textile products	(268.0)	(291.4)	(314.0)	(328.5)	(321.7)	(351.6)	(362)	(404)	(0.8)	(2.0)
Furniture	(44.0)	(56.1)	(56.7)	(58.5)	(65.9)	(61.4)	(75)	(84)	(6.9)	(7.6)
Machinery and engineering goods	1,641.5	1,838.4	2,041.3	2,288.7	2,351.8	2,603.0	2,871	3,141	29.2	48
Of which:										
Machine tools	(66.0)	(87.1)	(46.2)	(46.8)	(47.5)	(49.2)	(65)	(80)	(7.2)	(8.5)
Buses	(220.8)	(234.1)	(258.5)	(256.8)	(276.2)	(307.0)	(352)	(371)	(2.6)	(5.6)
Lamps	(47.8)	(61.6)	(68.4)	(75.5)	(74.0)	(77.1)	(86)	(93)	(3.7)	(4.0)
Electric wire & cable	(25.4)	(31.2)	(29.1)	(46.3)	(47.8)	(47.6)	(52)	(60)	(2.9)	(3.1)
Computers	(48.5)	(60.8)	(65.8)	(73.2)	(70.1)	(75.8)	(91)	(94)	(4.4)	(5.0)
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----- (Percentage changes) -----										
Total		10	9	17	10	7	9	10		
By currency:										
Non-ruble		8	16	22	12	4	12	10		
Ruble		14	2	6	6	12	8	11		
By commodity:										
Agricultural and food products		11	4	21	26	4	8	11		
Of which:										
Beef and cattle		(25)	(12)	(12)	(4)	(-3)	(10)	(13)		
Canned vegetables and fruits		(40)	(-3)	(7)	(5)	(3)	(20)	(16)		
Processed meat		(7)	(2)	(8)	(-2)	(-)	(10)	(4)		
Wine		(9)	(8)	(6)	(7)	(8)	(29)	(5)		
Metallurgical products		-5	22	17	-14	9	8	11		
Of which:										
Rolled steel products		(-19)	(36)	(20)	(-29)	(4)	(2)	(8)		
Alumina and aluminum products		(-3)	(27)	(16)	(-5)	(22)	(15)	(14)		
Chemical products		17	6	38	14	4	10	9		
Of which:										
PVC		(11)	(458)	(37)	(-9)	(-14)	(15)	(10)		
Light manufactures		6	7	5	9	3	8	13		
Of which:										
Textile products		(9)	(8)	(5)	(-2)	(9)	(3)	(12)		
Furniture		(27)	(1)	(3)	(13)	(-7)	(22)	(12)		
Machinery and engineering goods		12	11	12	3	11	10	9		
Of which:										
Machine tools		(32)	(-47)	(1)	(1)	(4)	(32)	(23)		
Buses		(6)	(10)	(-1)	(8)	(11)	(15)	(5)		
Lamps		(29)	(11)	(10)	(-2)	(4)	(12)	(8)		
Electric wire and cable		(23)	(-7)	(59)	(3)	(-)	(9)	(15)		
Computers		(25)	(8)	(11)	(-4)	(8)	(20)	(3)		

1/ Sum of exports by currency does not add up to total exports because currency breakdown could not be obtained for some miscellaneous exports.

2/ Includes miscellaneous primary exports such as forestry products.

Other factors which affected aggregate export growth include (i) the slowdown in January-June 1982 of exports to CMEA countries, caused by reduced demand in these countries; (ii) the worsening in export competitiveness resulting from the appreciation of the forint against the currencies of most of the EC countries; and (iii) a relatively buoyant domestic demand that provided a market for some of the exportable supplies, especially consumer goods.

For the two post-shortfall years, a projected recovery in export growth of about 10 per cent a year is based on the following factors: (i) some improvement in import demand by the industrial countries with the expected recovery of economic activity; (ii) adaptation of the export industries to changes in the requirements of foreign markets; (iii) the devaluation of the forint in July 1982 and the subsequent adoption of a more flexible exchange rate policy and restrictive financial policies which are expected to strengthen Hungary's international competitive position and to restrict domestic demand; (iv) continuation of the recent upward trend in exports to oil exporting countries as demonstrated by an increase in the number of joint projects with these countries; (v) large agricultural crops harvested in the second half of 1982; and (vi) an increase in the share of credit going to export-oriented industries. <sup>1/</sup>

The overall shortfall, as well as the shortfalls for chemicals (SDR 10.3 million), light manufactures (SDR 20.4 million), and machinery and engineering goods (SDR 29.2 million) are due entirely to volume factors; the shortfall in metallurgy is due largely to price, but also to volume declines (Table 4).

a. Agricultural and food products

Exports of agricultural (including miscellaneous primary exports such as forestry products) and prepared food products, nearly three quarters of which are denominated in non-ruble currencies, accounted for 33 per cent of earnings in 1981/82, and in the aggregate they show an excess. The shortfalls in beef and cattle (SDR 10.6 million), wine (SDR 7.8 million), and processed meats (SDR 3.1 million) were either entirely or largely due to lower volume. Agricultural exports were adversely affected by the protectionist policies in western markets, which include the restrictive provisions of the Common Agricultural Policy of the EEC, and various quantitative restrictions, tariff and non-tariff barriers by the EEC and EFTA. <sup>2/</sup> Moreover, the preferential treatment given by the EEC to some competitors

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<sup>1/</sup> The share of credits allocated to the export promotion investment scheme is being raised from 45 per cent of total investment credits during the Fifth Plan Period (1976-80) to 60 per cent during the Sixth Plan Period (1981-85).

<sup>2/</sup> For a more detailed description of restrictive measures, see SM/82/186 (9/17/82), pages 87-88.



Table 4. Hungary: Value, Volume and Unit Value Indices by Major Commodities

(1982=100; In terms of SDRs)

	Value Share in Total Exports in 1982 (In Per Cent)	Years Ending June								Shortfall in Per Cent of Level in Shortfall Year
		1977	1978	1979	1980	1981	1982	1983	1984	
Value	54.5	65	72	77	85	93	100	110	122	1.2
Agricultural & food products	20.4	55	65	65	70	95	100	110	124	-1.9(excess)
Beef and cattle	2.3	63	79	88	99	103	100	110	124	6.8
Canned vegetables & fruits	2.5	64	89	86	93	97	100	120	139	8.5
Processed meat	0.9	86	92	94	102	100	100	110	114	5.0
Wine	1.7	69	76	81	86	92	100	129	135	6.6
Metallurgical products	6.9	83	72	95	114	90	100	108	119	5.7
Rolled steel products	3.8	102	83	112	135	96	100	102	110	7.8
Alumina & aluminum products	3.1	61	59	75	87	82	100	115	131	1.5
Chemical products	6.6	53	63	67	81	91	100	113	125	0.8
PVC	0.5	15	17	94	129	117	100	116	127	17.3
Pharmaceutical products	4.3	64	72	74	80	83	100	113	125	-1.3(excess)
Light manufactures	8.0	75	84	88	92	94	100	106	117	1.4
Footwear	1.9	75	82	83	86	94	100	106	114	-0.5(excess)
Textile products	5.2	76	83	89	93	91	100	103	115	--
Furniture	0.9	72	91	92	95	107	100	122	136	11.0
Machinery & eng. goods	12.5	70	82	83	90	91	100	114	123	2.8
Machine tools	0.7	134	177	94	95	97	100	133	163	14.8
Buses	4.6	72	76	84	84	90	100	115	121	1.0
Lamps	1.1	62	80	89	98	96	100	112	120	4.8
Electric wire & cable	0.7	53	66	61	97	100	100	110	127	6.3
Computers	1.1	64	80	87	97	92	100	119	123	5.5
Volume		82	94	96	96	99	100	107	112	2.6
Agricultural and food products		67	82	82	78	99	100	108	112	-1.4(excess)
Beef and cattle		97	111	123	111	103	100	104	108	5.1
Canned vegetables and fruits		72	99	106	104	118	100	114	121	11.1
Processed meat		108	101	102	113	118	100	107	108	9.0
Wine		73	96	90	93	101	100	123	123	7.3
Metallurgical products		104	95	105	108	86	100	104	107	0.7
Rolled steel products		118	106	118	123	92	100	102	104	3.7
Alumina and aluminum products		87	81	90	90	80	100	108	115	1.0
Chemical products		67	75	79	88	100	100	109	114	1.8
PVC		15	16	96	97	114	100	110	115	6.9
Pharmaceutical products		72	77	83	91	93	100	108	115	1.0
Light manufactures		115	123	127	122	106	100	102	107	7.1
Textile products		121	128	135	132	110	100	100	105	8.8
Furniture		99	121	120	106	103	100	115	123	9.1
Machinery and engineering goods		81	106	101	104	99	100	110	115	5.4
Machine tools		94	226	115	110	105	100	129	150	17.4
Buses		99	107	112	106	103	100	110	111	5.9
Lamps		59	93	99	101	99	100	109	113	4.3
Electric wire and cable		69	83	76	108	108	100	105	115	7.1
Computers		61	84	93	103	94	100	119	123	7.2
Unit value		79	77	80	89	94	100	103	109	-1.2(excess)
Agricultural and food products		82	79	79	89	96	100	102	110	-0.8(excess)
Beef and cattle		65	71	72	89	100	100	106	115	1.6
Canned vegetables and fruits		88	90	82	89	82	100	105	115	-2.5(excess)
Processed meat		79	92	92	91	85	100	104	107	2.2
Wine		94	79	90	92	91	100	105	110	-0.7(excess)
Metallurgical products		80	76	91	105	104	100	104	112	4.9
Rolled steel products		87	78	95	110	105	100	100	106	4.1
Alumina and aluminum products		70	72	83	97	103	100	109	119	5.3
Chemical products		78	84	85	93	90	100	104	109	-1.0(excess)
PVC		98	108	98	132	103	100	105	110	9.4
Pharmaceutical products		89	94	89	88	90	100	104	109	-2.1(excess)
Light manufactures		66	68	70	76	88	100	104	109	-5.4(excess)
Footwear		70	74	77	86	95	100	104	109	-1.5(excess)
Textile products		63	65	66	71	83	100	103	110	-7.8(excess)
Furniture		72	76	77	90	104	100	106	111	1.9
Machinery and engineering goods		87	78	82	87	92	100	103	107	-2.5(excess)
Machine tools		143	78	82	86	92	100	103	109	-2.3(excess)
Buses		73	71	75	79	88	100	104	109	-4.7(excess)
Lamps		105	86	90	97	97	100	103	106	0.5
Electric wire and cable		77	79	80	90	93	100	105	110	-0.7(excess)
Computers		105	95	93	94	98	100	100	100	-1.6(excess)

(ACP countries, EFTA countries, Yugoslavia) has placed Hungarian exporters at a disadvantage; the accession of Greece to the EC resulted in a loss of beef exports to that market since 1981.

Export excesses estimated for the remaining agricultural products (cereals, vegetable oils, fresh fruits and vegetables, lamb, pork, and poultry) stem from strong demand by socialist countries and increased exports to the oil exporting countries (Tables in Annex II).

Exports are projected to increase by 8 per cent in 1982/83 and by 11 per cent in 1983/84, largely on the basis of higher production in 1982, continued strong demand from some socialist countries, further market growth in developing countries, and improved marketing by Hungarian exporters following recent reorganization into smaller, more specialized units. No significant improvement in access to the EEC or EFTA is expected.

b. Metallurgical products

Total metallurgical exports, roughly four fifths of which are in non-ruble currencies, amounted to SDR 544 million in 1981/82 and accounted for 8 per cent of total export earnings in the shortfall year. The bulk of the shortfall occurred in steel (SDR 20.3 million), as exports of rolled steel products were 12 per cent below their pre-shortfall average on account of both lower volume and unit value. Hungary has bilateral agreements with the EEC on voluntary export restraints, and in 1981 the maximum admissible quantity of rolled steel products was reduced by 12 per cent and quotas were set for individual EEC countries. <sup>1/</sup> In addition, minimum import prices were established for several steel products at levels which made Hungarian steel exports less competitive. As a result, exports were actually below the levels allowed under the quotas for several steel products.

A restructuring of the steel industry has been initiated in order to accommodate better the requirements of the import markets. New capacity is being established in specialty steel products, and because overhead costs are relatively low, Hungarian producers can undertake small orders profitably. As a result of these measures, supply is being restructured to suit the available quotas under the EEC agreements, and market diversification to oil exporting countries will also be possible under the contracts awarded to Hungarian companies at international biddings for projects in those countries. In view of the depressed world market conditions and the move away from bulk to specialty products, volume increases of only 2 per cent per year are projected for the two post-shortfall years. Prices are projected to remain stagnant in the first year and to increase by 6 per cent in the second.

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<sup>1/</sup> The existence of country quotas prevented Hungary from shifting the exports within the EEC to those countries where more steel could be sold even at the relatively high minimum import prices set by the EEC.

An export shortfall of SDR 2.8 million is estimated for alumina and aluminum products on account of a large price shortfall which was only partly offset by a small excess in volume. The volume increase was made possible by adapting old facilities to produce semifinished and finished aluminum products at relatively low cost. A volume increase of about 7 per cent per year is projected for the post-shortfall period, while prices are projected to increase at an annual rate of about 9 per cent as a result of the expected recovery in world demand as well as further restructuring in Hungary's exports to include more semifinished products.

Other metallurgical exports for which an excess of SDR 0.4 million is estimated include a variety of products, such as copper, pig iron, cast steel, zinc, lead and tin. Earnings from these products declined by 4 per cent in 1981/82 as a result of weak demand, but a recovery of 11 per cent and 14 per cent is projected for 1982/83 and 1983/84, respectively.

#### c. Chemical products

Chemical exports accounted for 13 per cent of total exports in 1981/82; roughly two thirds of chemical exports are in non-ruble currencies. Export shortfalls are estimated for polyvinyl chloride (PVC) (SDR 5.9 million) and other chemical products (SDR 6.6 million), which are partly offset by export excesses in pharmaceutical products (SDR 3.8 million) and others.

Production and export of chemical products have grown rapidly in recent years; export volumes increased by 49 per cent from 1976/77 to 1980/81. In the shortfall year, exports were adversely affected by weak foreign demand, except for pharmaceutical products, for which demand from socialist and developing countries kept on rising. For nitrogen and propylene, export volumes declined in 1981/82, but unit prices increased because of restructuring toward higher-valued products and export values were higher (Annex II Table 2). In the case of PVC, ethylene and other chemical products, which include mainly pesticides, insecticides, and synthetic fibers, export volumes and values fell in 1981/82 because of reduced foreign demand and lower imports of petroleum as part of energy conservation measures.

The outlook for Hungary's chemical exports in the post-shortfall period is promising, unlike the position of the chemical industry in some other countries. In Hungary, capacity has been increasing over the years and demand is good for pharmaceuticals, especially finished products (medicines, etc.) both in developing and CMEA countries; moreover, long-term agreements have been signed to provide pesticides and PVC to the U.S.S.R. The supply of crude oil for production and exports of petroleum derivatives is expected to be adequate on the basis of existing long-term contracts. Based on these considerations, exports of chemical products are projected to grow at about 10 per cent per year during the two post-shortfall years.

#### d. Light manufactures

Light manufactures consist largely of textiles and clothing, footwear, and furniture; together they accounted for 11 per cent of total exports in

1981/82. Light industry exports are roughly equally distributed between the ruble and non-ruble currencies; an export excess is estimated for the ruble exports, where Hungarian goods are in demand because of their high quality. Non-ruble exports experienced a shortfall. Shortfalls are estimated for all products except footwear for which a small excess (SDR 0.5 million) is estimated. The existence of long-term contracts with U.S. firms and a recent restructuring toward specialized shoes (such as running shoes) have helped stabilize earnings from shoe exports.

For textiles and clothing, Western Europe is the major market in non-ruble currencies. A relatively small shortfall of SDR 0.8 million is estimated for these exports, as they increased by 9 per cent in 1981/82 as a result of contracts with Western European companies whereby Hungary imports technical know-how and, in some cases, also the machines and raw materials, and exports the finished products without being subject to the import quotas imposed under the Multi-Fibre Agreement. Shortfalls were recorded for both furniture (SDR 6.9 million) and other light manufactures, mostly handicrafts, leather and fur (SDR 12.4 million), as weak foreign demand and loss of competitiveness caused a reduction in these exports in 1981/82.

Increases are projected for export earnings from the light industrial products--8 per cent in 1981/82 and 13 per cent in 1982/83--based on larger volume and modest price increases. For some products, particularly furniture, the recovery is based on a restructuring of exports toward more competitive products, such as office and school furniture. This industry has also benefited from contracts agreed with oil exporting countries for exports of various building and construction projects (for example, to build and furnish schools, hospitals, and office buildings).

e. Machinery and engineering goods

Exports of machinery and engineering goods, about two thirds of which are denominated in rubles, comprised 36 per cent of total export earnings in 1981/82. All of the major products included in this branch experienced shortfalls, except for agricultural machinery for which an export excess of SDR 3.4 million is estimated.

Hungary's exports of machinery and engineering goods to socialist countries are based on medium- and long-term contracts; such exports increased by 11 per cent in value terms in the shortfall year, and they are projected to grow at a slightly higher average rate of 9 per cent during each of the two post-shortfall years. The projections envisage increases in both volumes and prices largely based on a survey of enterprises regarding their export commitments. On the basis of these movements in exports, a shortfall of SDR 29.2 million is estimated for machinery and engineering goods exports; this is the only major export industry for which a shortfall is estimated for ruble exports.

Non-ruble exports have been growing at a faster rate during the last four years than ruble exports, and in the shortfall year, non-ruble exports rose by 16 per cent, largely on account of sharp increases in exports of agricultural machinery, computers, and measuring instruments. Some of the high technology products, such as numerically controlled machine tools and computer software, have enjoyed strong demand from the Western industrial countries despite the recession; for these and also some other products like buses, measuring instruments, agricultural machinery, etc., developing countries have become a major outlet for Hungary's exports. Exports of machinery and engineering goods have been successfully marketed in developing countries as part of a total package, for example, the construction of complete laboratories, schools, audio-visual systems, and hospitals; this trend is expected to continue. At the same time, demand from the industrial countries is expected to increase with economic recovery. As a result, non-ruble exports are projected to increase by 16 per cent in 1982/83 and by a further 8 per cent in 1983/84; a shortfall of SDR 4.7 million is estimated for 1981/82.

On a product basis, the largest shortfall is estimated for machine tools (SDR 7.2 million), followed by computers (SDR 4.4 million), specialty lamps (SDR 3.7 million), electric wire and cable (SDR 2.9 million), buses (SDR 2.6 million), chemical machinery (SDR 1.8 million), measuring instruments (SDR 1.4 million), truck tires (SDR 1.4 million), and domestic appliances (SDR 0.9 million) (Annex II, Tables 1 and 2). For the remaining exports in this branch, which account for two thirds of the total, a small shortfall of SDR 4.8 million is estimated. All of the product shortfalls are due to volume, with the exception of the shortfall for lamps, which is due to price as well as volume.

#### 4. Staff appraisal and proposed decision

The Hungarian authorities are expected to request their first purchase under the compensatory financing facility in the amount of SDR 72.0 million (equivalent to 19.2 per cent of quota) in respect of a shortfall of the same amount estimated for the year ended June 1982.

The balance of payments position of Hungary deteriorated in 1981 as the current account deficit widened to SDR 0.8 billion, equivalent to 4 per cent of GDP. Combined with a reduced net capital inflow, this resulted in an overall balance of payments deficit of SDR 460 million and a significant loss of reserves. The external position worsened seriously in early 1982, when a continued large current account deficit, together with a drying-up of medium-term foreign loans and large withdrawals of short-term funds by some foreign lenders, precipitated a massive loss of reserves. In response to this severe liquidity crisis, the authorities have undertaken stronger adjustment measures since mid-year. Due to the resulting trade surplus in the second half of 1982, the current account deficit for the year as a whole has been reduced to an estimated SDR 0.4 billion. The overall deficit for the year, however, is estimated at SDR 1.25 billion, nearly three times the deficit in 1981. The level of reserves has risen slightly from the very low level reached in the first quarter, but, nevertheless, the liquidity

position remains precarious. The authorities have adopted a comprehensive stabilization program for 1983, designed to achieve a substantial current account surplus in convertible currencies (SDR 0.6 billion), and the overall balance of payments is projected to record a small surplus of SDR 125 million.

The rate of growth in Hungary's exports decelerated from an annual rate of 13 per cent during the two pre-shortfall years (1979/80-1980/81) to 7 per cent in the shortfall year (1981/82). A recovery is projected for the two post-shortfall years, with growth resuming a 10 per cent annual rate of increase. Based on these movements, the shortfall for the 12 months ended June 1982 is estimated at SDR 72.0 million, which is the amount of the proposed drawing.

The deceleration in the rate of export growth in 1981/82 is attributable to a substantial slowdown (from 17 per cent in the two pre-shortfall years to 4 per cent in 1981/82) in the growth rate of exports denominated in non-ruble currencies, the bulk of which is in convertible currencies. The rate of growth in ruble exports accelerated (from 6 per cent to 12 per cent), and accounted for roughly half of Hungary's total exports in the shortfall year. The shortfall in total exports related to a shortfall of SDR 86 million estimated for non-ruble exports, which is partly offset by an excess (SDR 13 million) in ruble exports.

The decline in foreign demand, which adversely affected the non-ruble export growth was due primarily to (i) the deepening world recession and (ii) increased difficulty in market access for some products. This situation was aggravated by a slowdown in import demand by socialist countries in terms of transactions settled in convertible currencies, by loss of competitiveness resulting largely from the appreciation of the forint against the currencies of most of the EC countries, and by a relatively buoyant domestic demand. Shortfalls were sustained by four export categories: metallurgical products (SDR 27.4 million), chemicals (SDR 10.3 million), light industries (SDR 20.4 million), and machinery and engineering goods (SDR 29.2 million); these shortfalls were partly offset by an excess in agriculture and food products (SDR 21.4 million). Lower volumes were largely responsible for the shortfalls, except for metallurgy, where lower prices were the predominant factor.

For the two post-shortfall years, exports are projected to grow at 9 per cent the first year, 1982/83, and 10 per cent the second year. The projections are based on the assumption of an economic recovery in industrial countries, a restructuring of export industries to better accommodate product specifications in major markets, a strengthening of Hungary's competitive position through exchange rate measures and restrictive domestic demand policies, continuation of growth in exports to oil-exporting countries, and good supply prospects for agricultural crops being harvested in the second half of 1982. The staff considers that the shortfall in Hungary's exports is attributable to factors largely beyond the control of the member and, in the light of the expected recovery, that it is temporary in character.

It is expected that the request for a compensatory financing purchase will include a statement that Hungary will cooperate with the Fund in efforts to find, where required, appropriate solutions for its balance of payments difficulties. The staff considers that the expected request under the compensatory financing facility will meet all the requirements set forth in that decision. Accordingly, the following draft decision is proposed for adoption by the Executive Board, after a duly authenticated request has been received:

1. The Fund has received a request from the Government of the Hungarian People's Republic for a purchase of SDR 72.0 million under the Decision on Compensatory Financing of Export Fluctuations (Executive Board Decision No. 6224-(79/135), adopted August 2, 1979.)
2. The Fund approves the purchase in accordance with the request.

Fund Relations with Hungary  
(As of October 31, 1982)

Status:	Hungary became a member of the Fund on May 6, 1982. It availed itself of the transitional arrangements under Article 2 of Article XIV of the Articles of Agreement on May 28, 1982.
Quota:	SDR 375 million.
Fund holdings of forint:	SDR 375 million or 100 per cent of quota.
Hungary's holdings of SDRs:	Nil.
Last Article IV consultation:	Discussions in May-June 1982. Staff Report (SM/82/176, 8/25/82, and SM/82/186, 9/17/82) is scheduled for Executive Board discussion on December 8, 1982.
Exchange system:	Hungary notified the Fund of its exchange arrangements on May 28, 1982. The exchange rate of Hungary's currency, the forint, vis-a-vis the currencies of countries other than members of the Council of Mutual Economic Assistance, the People's Socialist Republic of Albania, and the Democratic People's Republic of Korea is linked to a weighted basket of nine currencies. The weights are adjusted annually and reflect the currency composition of Hungary's export receipts from the non-ruble area in the preceding year. The representative rate is determined as the mid-point between the buying and selling rates for the U.S. dollar as quoted by the National Bank of Hungary. As of October 29, 1982, the representative rate was Ft 38.0301 per U.S. dollar.
Exchange practices under Article VIII:	None.



Table 1. Hungary: Export Earnings and Shortfalls by Major Commodities

	Years Ending June								Shortfall	
	1977	1978	1979	1980	1981	1982	1983	1984	Geometric	Arithmetic
----- (In millions of SDRs) -----										
Total	4,373.9	4,804.9	5,226.3	6,124.9	6,738.2	7,191.0	7,850	8,675	72.0	124.8
Agricultural and food products	1,276.1	1,419.1	1,476.4	1,792.3	2,253.4	2,353.4	2,552	2,844	-21.4	5.5
of which:										
Beef and cattle	(99.9)	(124.7)	(139.8)	(156.1)	(162.2)	(158.1)	(174)	(196)	(10.6)	(11.2)
Hog and pork	(57.7)	(100.0)	(85.4)	(145.3)	(162.4)	(186.0)	(195)	(214)	(-7.1)	(-5.5)
Lamb and mutton	(20.9)	(27.1)	(35.7)	(41.6)	(50.2)	(58.8)	(58)	(72)	(-3.6)	(-2.7)
Poultry	(112.0)	(106.4)	(107.5)	(120.2)	(165.4)	(196.3)	(194)	(204)	(-23.4)	(-20.3)
Canned vegetables and fruits	(106.8)	(149.6)	(144.5)	(155.1)	(162.4)	(167.3)	(200)	(233)	(14.1)	(16.3)
Canned ham	(16.4)	(19.5)	(19.5)	(17.8)	(17.8)	(15.8)	(19)	(20)	(2.2)	(2.3)
Canned meat	(16.5)	(15.0)	(14.8)	(20.4)	(17.2)	(19.5)	(20)	(21)	(0.1)	(0.1)
Salami	(22.1)	(24.6)	(25.8)	(26.9)	(28.5)	(28.6)	(31)	(32)	(0.7)	(0.8)
Wine	(79.2)	(86.6)	(93.1)	(98.7)	(105.8)	(114.6)	(148)	(155)	(7.8)	(9.8)
Vegetable oils	(20.5)	(28.7)	(27.5)	(33.6)	(63.8)	(87.3)	(93)	(104)	(-16.3)	(-11.0)
Cereals	(96.7)	(85.9)	(100.7)	(33.0)	(240.3)	(185.8)	(210)	(269)	(-33.0)	(1.8)
Fresh fruits and vegetables	(97.5)	(109.4)	(87.7)	(100.0)	(113.7)	(138.4)	(146)	(159)	(-8.8)	(-7.0)
Chicklings	(9.6)	(15.3)	(14.1)	(14.4)	(16.8)	(20.4)	(21)	(22)	(-1.7)	(-1.5)
Others	520.3	526.3	580.3	829.2	946.9	976.5	1,043	1,143	5.7	11.2
Metallurgical products	427.6	405.6	495.9	581.1	499.5	543.6	588	654	27.4	29.6
Major products	387.7	334.3	443.1	527.5	416.6	464.0	500	554	26.0	28.4
Rolled steel products	(262.1)	(213.0)	(288.8)	(347.9)	(246.8)	(256.9)	(262)	(283)	(20.3)	(22.4)
Aluminum	(75.6)	(71.6)	(104.5)	(124.1)	(102.1)	(144.8)	(168)	(190)	(-2.4)	(1.0)
Alumina	(50.0)	(49.7)	(49.8)	(55.5)	(67.7)	(62.3)	(70)	(81)	(4.5)	(5.0)
Others	39.9	71.3	52.8	53.6	82.9	79.6	88	100	-0.4	1.2
Chemical products	454.3	532.1	561.4	777.0	888.3	924.6	1,013	1,105	10.3	17.0
Major products	233.3	277.6	299.5	362.4	403.7	445.6	503	555	3.2	8.3
PVC	(5.3)	(5.9)	(32.9)	(45.0)	(40.8)	(34.9)	(40)	(44)	(5.9)	(6.0)
Nitrogen fertilizer	(10.1)	(16.8)	(20.3)	(36.2)	(73.5)	(64.0)	(69)	(78)	(-2.0)	(0.1)
Ethylene	(20.8)	(25.1)	(14.6)	(25.8)	(30.2)	(29.5)	(38)	(37)	(2.3)	(2.6)
Propylene	(13.8)	(22.0)	(20.3)	(26.6)	(19.7)	(30.1)	(33)	(37)	(-1.5)	(-0.8)
Pharmaceutical products	(183.3)	(207.8)	(211.4)	(228.8)	(239.5)	(287.1)	(323)	(359)	(-3.8)	(0.4)
Others	221.0	254.5	261.9	414.6	484.6	479.0	510	550	6.6	8.6
Light manufactures	574.4	609.7	651.3	685.8	745.2	766.2	826	931	20.4	24.6
Major products	405.5	450.5	475.1	494.7	504.7	538.1	570	631	7.4	9.6
Furniture	(44.0)	(56.1)	(56.7)	(58.5)	(65.9)	(61.4)	(75)	(84)	(6.9)	(7.6)
Footwear	(93.5)	(103.0)	(104.4)	(107.7)	(117.1)	(125.1)	(133)	(143)	(-0.5)	(0.1)
Textile products	(268.0)	(291.4)	(314.0)	(328.5)	(321.7)	(351.6)	(362)	(404)	(0.8)	(2.0)
Others	168.9	159.2	176.2	191.1	240.5	228.1	256	300	12.4	15.0
Machinery and engineering goods	1,641.5	1,838.4	2,041.3	2,288.7	2,351.8	2,603.0	2,871	3,141	29.2	48.1
Major products	593.6	699.0	702.5	765.6	769.7	845.6	960	1,041	24.2	30.8
Machine tools	(66.0)	(87.1)	(46.2)	(46.8)	(47.5)	(49.2)	(65)	(80)	(7.2)	(8.5)
Agricultural machinery	(75.8)	(79.6)	(79.8)	(93.1)	(75.8)	(101.1)	(106)	(118)	(-3.4)	(-2.3)
Chemical machinery	(27.6)	(35.1)	(38.8)	(37.6)	(28.2)	(32.7)	(36)	(39)	(1.8)	(2.0)
Buses	(220.8)	(234.1)	(258.5)	(256.8)	(276.2)	(307.0)	(352)	(371)	(2.6)	(5.6)
Lamps	(47.8)	(61.6)	(68.4)	(75.5)	(74.0)	(77.1)	(86)	(93)	(3.7)	(4.0)
Electric wire and cable	(25.4)	(31.2)	(29.1)	(46.3)	(47.8)	(47.6)	(52)	(60)	(2.9)	(3.1)
Domestic appliances	(18.1)	(30.2)	(27.7)	(30.4)	(34.7)	(33.7)	(36)	(39)	(0.9)	(1.1)
Measuring instruments	(53.0)	(63.0)	(70.4)	(79.9)	(89.9)	(95.6)	(108)	(116)	(1.4)	(2.3)
Computers	(48.5)	(60.8)	(65.8)	(73.2)	(70.1)	(75.8)	(91)	(94)	(4.4)	(5.0)
Truck tires	(10.6)	(16.3)	(17.8)	(26.0)	(25.5)	(25.8)	(28)	(31)	(1.4)	(1.5)
Others	1,047.9	1,139.4	1,338.8	1,523.1	1,582.1	1,757.4	1,911	2,100	4.8	17.3

Table 1 (continued). Hungary: Export Earnings and Shortfalls by Major Commodities

	Years Ending June						
	1978	1979	1980	1981	1982	1983	1984
	----- (Percentage changes) -----						
Total	<u>11</u>	<u>9</u>	<u>14</u>	<u>10</u>	<u>8</u>	<u>10</u>	<u>11</u>
Agricultural and food products	<u>16</u>	<u>3</u>	<u>11</u>	<u>29</u>	<u>7</u>	<u>12</u>	<u>12</u>
Major products	<u>18</u>		<u>7</u>	<u>36</u>	<u>5</u>	<u>10</u>	<u>13</u>
Beef and cattle	(25)	(12)	(12)	(4)	(-3)	(10)	(13)
Hog and pork	(73)	(-15)	(70)	(12)	(15)	(5)	(10)
Lamb and mutton	(30)	(32)	(17)	(21)	(17)	(-1)	(24)
Poultry	(-5)	(1)	(12)	(38)	(19)	(-1)	(5)
Canned vegetables and fruits	(40)	(-3)	(7)	(5)	(3)	(20)	(16)
Canned ham	(19)	(0)	(-9)	(0)	(-11)	(20)	(5)
Canned meat	(-9)	(-1)	(38)	(-16)	(13)	(3)	(5)
Salami	(11)	(5)	(4)	(6)	(0)	(8)	(3)
Wine	(9)	(8)	(6)	(7)	(8)	(29)	(5)
Vegetable oils	(40)	(-4)	(22)	(90)	(37)	(7)	(12)
Cereals	(-11)	(17)	(-67)	(628)	(-23)	(13)	(28)
Fresh fruits and vegetables	(12)	(-20)	(14)	(14)	(22)	(5)	(9)
Chicklings	(59)	(-8)	(2)	(17)	(21)	(3)	(5)
Others	11	11	20	13	13	19	9
Metallurgical products	-5	22	17	-14	9	8	11
Major products	-14	33	19	-21	11	8	11
Rolled steel products	(-19)	(36)	(20)	(-29)	(4)	(2)	(8)
Aluminum	(-5)	(46)	(19)	(-18)	(42)	(16)	(13)
Alumina	(-1)	(0)	(11)	(22)	(-8)	(12)	(16)
Others	79	-26	2	55	-4	11	14
Chemical products	<u>17</u>	<u>6</u>	<u>38</u>	<u>14</u>	<u>4</u>	<u>10</u>	<u>9</u>
Major products	<u>19</u>	<u>8</u>	<u>21</u>	<u>11</u>	<u>10</u>	<u>13</u>	<u>10</u>
PVC	(11)	(458)	(37)	(-9)	(-14)	(15)	(10)
Nitrogen fertilizer	(66)	(21)	(78)	(103)	(-13)	(8)	(13)
Ethylene	(21)	(-42)	(77)	(17)	(-2)	(29)	(-3)
Propylene	(59)	(-8)	(31)	(-26)	(53)	(10)	(12)
Pharmaceutical products	(13)	(2)	(8)	(5)	(20)	(13)	(11)
Others	15	3	58	17	-1	6	8
Light manufactures	<u>6</u>	<u>7</u>	<u>5</u>	<u>9</u>	<u>3</u>	<u>8</u>	<u>13</u>
Major products	<u>11</u>	<u>5</u>	<u>4</u>	<u>2</u>	<u>7</u>	<u>6</u>	<u>11</u>
Furniture	(27)	(1)	(3)	(13)	(-7)	(22)	(12)
Footwear	(10)	(1)	(3)	(9)	(7)	(6)	(8)
Textile products	(9)	(8)	(5)	(-2)	(9)	(3)	(12)
Others	-6	11	8	26	-5	12	17
Machinery and engineering goods	<u>12</u>	<u>11</u>	<u>12</u>	<u>3</u>	<u>11</u>	<u>10</u>	<u>9</u>
Major products	<u>18</u>	<u>1</u>	<u>9</u>	<u>1</u>	<u>10</u>	<u>14</u>	<u>8</u>
Machine tools	(32)	(-47)	(1)	(1)	(4)	(32)	(23)
Agricultural machinery	(5)	(0)	(17)	(-19)	(33)	(5)	(11)
Chemical machinery	(27)	(11)	(-3)	(-25)	(16)	(10)	(8)
Buses	(6)	(10)	(-1)	(8)	(11)	(15)	(5)
Lamps	(29)	(11)	(10)	(-2)	(4)	(12)	(8)
Electric wire and cable	(23)	(-7)	(59)	(3)	(0)	(9)	(15)
Domestic appliances	(67)	(-8)	(10)	(14)	(-3)	(7)	(8)
Measuring instruments	(19)	(12)	(13)	(13)	(6)	(13)	(7)
Computers	(25)	(8)	(11)	(-4)	(8)	(20)	(3)
Truck tires	(54)	(9)	(46)	(-2)	(1)	(9)	(11)
Others	9	18	14	4	11	9	10

Table 2. Hungary: Value, Volume and Unit Value Indices by Major Commodities  
(1982=100; in terms of SDRs)

	Value Share in Total Exports in 1982 (In Per Cent)	Years Ending June								Shortfall in Per Cent of Level in Shortfall Year
		1977	1978	1979	1980	1981	1982	1983	1984	
Value	54.5	65	72	77	85	93	100	110	122	1.2
Agricultural and food products	20.5	55	65	65	70	95	100	110	124	-1.9
Beef and cattle	2.3	63	79	88	99	103	100	110	124	6.8
Hog and pork	2.8	31	54	46	78	87	100	105	115	-3.9
Poultry	2.9	57	54	55	61	84	100	99	104	-12.0
Lamb and mutton	0.9	36	46	61	71	85	100	99	123	-6.0
Canned ham	0.2	104	123	123	113	113	100	122	128	14.8
Canned meat	0.3	85	77	76	105	88	100	102	109	0.5
Salami	0.4	77	86	90	94	100	100	108	111	2.4
Canned vegetables and fruits	2.5	64	89	86	93	97	100	120	139	8.5
Fresh fruits and vegetables	2.1	70	79	63	72	82	100	105	115	-6.5
Cereals	2.8	52	46	54	18	129	100	113	145	-17.6
Wine	1.7	69	76	81	86	92	100	129	135	6.6
Vegetable oils	1.3	23	33	32	38	73	100	106	119	-18.9
Chicklings	0.3	47	75	69	71	82	100	101	109	-8.5
Metallurgical products	6.9	83	72	95	114	90	100	108	119	5.7
Rolled steel products	3.8	102	83	112	135	96	100	102	110	7.8
Aluminum	2.2	52	49	72	86	71	100	116	131	-1.5
Alumina	0.9	80	80	80	89	109	100	113	130	7.3
Chemical products	6.6	52	62	67	81	91	100	113	125	0.8
Pharmaceutical products	4.3	64	72	74	80	83	100	113	125	-1.3
Nitrogen fertilizer	1.0	16	26	32	57	115	100	108	122	-2.9
PVC	0.5	15	17	94	129	117	100	116	127	17.3
Ethylene	0.4	71	85	49	87	102	100	128	126	7.3
Propylene	0.4	46	73	67	88	65	100	110	123	-5.0
Light manufactures	8.0	75	84	88	92	94	100	106	117	1.4
Textile products	5.2	76	83	89	93	91	100	103	115	
Footwear	1.9	75	82	83	86	94	100	106	114	-0.5
Furniture	0.9	72	91	92	95	107	100	122	136	11.0
Machinery and engineering goods	12.5	70	83	83	91	91	100	114	123	3.0
Buses	4.6	72	76	84	84	90	100	115	121	1.0
Agricultural machinery	1.5	75	79	79	92	75	100	105	117	-3.3
Measuring instruments	1.4	55	66	74	84	94	100	113	122	1.7
Computers	1.1	64	80	87	97	92	100	119	123	5.5
Lamps	1.1	62	80	89	98	96	100	112	120	4.8
Machine tools	0.7	134	177	94	95	97	100	133	163	14.8
Electric wire and cable	0.7	53	66	61	97	100	100	110	127	6.3
Chemical machinery	0.5	84	107	119	115	86	100	111	120	5.7
Domestic appliances	0.5	54	90	82	90	103	100	107	117	3.0
Truck tires	0.4	41	63	69	101	99	100	109	120	5.5
Volume		82	94	96	96	99	100	107	112	2.6
Agricultural and food products		67	82	82	78	99	100	108	112	-1.4
Beef and cattle		97	111	123	111	103	100	104	108	5.1
Hog and pork		40	82	68	99	94	100	105	109	1.3
Poultry		69	71	79	72	88	100	99	100	-8.9
Lamb and mutton		52	62	71	80	83	100	108	122	-2.6
Canned ham		103	99	106	115	113	100	116	116	11.8
Canned meat		119	102	100	121	136	100	100	104	11.3
Salami		108	102	101	102	104	100	104	105	3.0
Canned vegetables and fruits		72	99	106	104	118	100	114	121	11.1
Fresh fruits and vegetables		71	86	66	70	83	100	100	104	-9.6
Cereals		70	71	72	17	117	100	116	125	-22.0
Wine		73	96	90	93	101	100	123	123	7.3
Vegetable oils		25	35	30	39	74	100	106	110	-19.6
Chicklings		34	54	82	86	78	100	100	104	-6.9
Metallurgical products		104	95	105	108	86	100	104	107	0.7
Rolled steel products		118	106	118	123	92	100	102	104	3.7
Aluminum		78	72	84	81	68	100	106	110	-8.5
Alumina		107	105	105	112	108	100	105	110	6.9

Table 2 (continued). Hungary: Value, Volume and Unit Value Indices by Major Commodities

(1982=100; in terms of SDRs)

	Years Ending June								Shortfall in Per Cent of Level in Shortfall Year
	1977	1978	1979	1980	1981	1982	1983	1984	
Chemical products	67	75	79	88	100	100	109	114	1.8
Pharmaceutical products	72	77	83	91	93	100	108	115	1.0
Nitrogen fertilizer	29	47	44	67	110	100	105	110	-3.2
PVC	15	16	96	97	114	100	110	115	6.8
Ethylene	98	112	110	108	109	100	123	118	11.3
Propylene	143	153	76	75	129	100	107	115	3.5
Light manufactures	115	123	127	122	106	100	102	107	7.1
Textile products	121	128	135	132	110	100	100	105	8.8
Footwear	106	112	108	100	98	100	102	105	1.0
Furniture	99	121	120	106	103	100	115	123	9.1
Machinery and engineering goods	81	106	101	104	99	100	110	115	5.4
Buses	99	107	112	106	103	100	110	111	5.9
Agricultural machinery	61	91	90	103	79	100	101	109	-2.2
Measuring instruments	54	76	83	91	97	100	113	116	3.0
Computers	61	84	93	103	94	100	119	123	7.2
Lamps	59	93	99	101	99	100	109	113	4.3
Machine tools	94	226	115	110	105	100	129	150	17.4
Electric wire and cable	69	83	76	108	108	100	105	115	7.1
Chemical machinery	103	127	136	128	91	100	106	110	6.3
Domestic appliances	66	107	97	101	106	100	104	108	3.8
Truck tires	150	151	100	107	137	100	104	110	10.9
Unit value	79	77	80	89	94	100	103	109	-1.2
Agricultural and food products	82	79	79	89	96	100	102	110	-0.8
Beef and cattle	65	71	72	89	100	100	106	115	1.6
Hog and pork	78	66	68	79	93	100	100	106	-4.9
Poultry	82	77	69	85	96	100	100	104	-3.2
Lamb and mutton	68	74	86	88	103	100	92	101	-3.4
Canned ham	101	125	116	98	100	100	105	110	2.5
Canned meat	71	75	76	86	65	100	102	105	-9.8
Salami	75	84	89	92	96	100	104	106	-0.5
Canned vegetables and fruits	88	90	82	89	82	100	105	115	-2.5
Fresh fruits and vegetables	99	92	96	103	99	100	105	110	3.3
Cereals	74	66	76	107	111	100	97	116	6.0
Wine	94	79	90	92	91	100	105	110	-0.7
Vegetable oils	95	94	104	99	99	100	100	108	1.1
Chicklings	138	139	84	82	106	100	101	105	-1.6
Metallurgical products	80	76	91	105	104	100	104	112	4.9
Rolled steel products	87	78	95	110	105	100	100	106	4.1
Aluminum	67	69	86	106	104	100	109	119	7.4
Alumina	75	76	76	80	100	100	108	118	0.4
Chemical products	78	83	85	92	91	100	104	109	-1.0
Pharmaceutical products	89	94	89	88	90	100	104	109	-2.1
Nitrogen fertilizer	54	56	73	85	104	100	103	111	0.2
PVC	98	108	98	132	103	100	105	110	9.4
Ethylene	72	76	45	81	94	100	104	107	-3.3
Propylene	32	48	89	118	51	100	103	107	-7.9
Light manufactures	66	68	70	76	88	100	104	109	-5.4
Textile industry	63	65	66	71	83	100	103	110	-7.8
Footwear	70	74	77	86	95	100	104	109	-1.5
Furniture	72	76	77	90	104	100	106	111	1.9
Machinery and engineer- ing goods	87	78	82	87	92	100	103	107	-2.5
Buses	73	71	75	79	88	100	104	109	-4.7
Agricultural machinery	123	87	88	89	95	100	104	107	-1.2
Measuring instruments	103	87	89	92	97	100	100	105	-1.3
Computers	105	95	93	94	98	100	100	100	-1.6
Lamps	105	86	90	97	97	100	103	106	0.5
Machine tools	143	78	82	86	92	100	103	109	-2.3
Electric wire and cable	77	79	80	90	93	100	105	110	-0.7
Chemical machinery	82	85	87	90	95	100	105	109	-0.4
Domestic appliances	81	84	85	89	97	100	103	108	-0.8
Truck tires	17	42	69	94	72	100	104	109	-5.2