Far from the core – regions and industrial parks in economic shadow in Hungary[1]

Part two

Tibor Tiner[2]

Abstract

The first part of the paper (Hung. Geogr. Bull. No 2. 2010) was an attempt to evaluate the level of development of NUTS2 regions of the country on the basis of data for the leading 500 companies. The main results of the analysis showed close correlation between the geographical position and success (or failure) in business. The second part of the paper deals with economic efficiency of top firms that are settled into industrial parks of modestly developed and less favoured counties. Analyses were carried on using financial and statistical indicators published by different institutions and firms (e.g. Central Statistical Office, Creditreform Ltd.) electronically or in printed version. The conclusion of the study is that the economic crisis burst in 2008 has affected adversely both the annual revenues and profits of the top firms settled into industrial parks of the counties mentioned above.

Keywords: top 500 firms, revenues, profits, less favoured counties, industrial parks

Introduction

In the second part of the study our foci are the counties and inside them only those of the leading firms that belonged to the top 500 in 2005 and 2009 by the volume of their annual revenues and profit and settled into industrial parks of selected counties during the last decades. The investigation consisted of three phases.

– In the first phase annual revenues and profit of the leading 500 enterprises of Hungary were analysed and compared to each other for the year of 2005 and 2009 by counties.

– In the second phase the counties were evaluated by the change of ranking of their firms belonging to the top 500 ones.

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[2] Geographical Research Institute, Hungarian Academy of Sciences, H-1112 Budapest, Budaörsi út 45. E-mail: tinert@mtafki.hu; J. Selye University, ul. Hradná 21. 94501 Komárno 1. Slovakia. E-mail: tiner.tibor@selyeuni.sk

– In the third phase there were analysed the activities of the relatively small group of top 500 producing or servicing firms accommodated inside the industrial parks.

To avoid overflowing verbalism this part of paper tries to demonstrate the results by the help of several tables and figures.

Processes on county level

The change in the number of firms and in the volume of annual revenues by counties based on parameters of relatively small groups of their firms belonging to the top 500 firms in 2005 and 2009 indicates a highly distorted structure *(Table 1).*

The fourth column of the table shows that between 2005 and 2009 nearly half of the counties had lost 36 top firms altogether and – without Pest County – only 7 counties gained 11 top firms altogether.

Table 1. The change in number of top firms and in the volume of their total annual revenues by counties between 2005 and 2009

County	Number of firms belonging to top 500		Change, 2009/2005	Total volume of annual revenues of the firms, bn HUF		Change, 2009/2005, bn HUF
	2005	2009		2005	2009	
Pest	46	66	+ 20	3,018	4,846	+ 1,828
Komárom-Esztergom	25	27	+ 2	2,311	3,879	+ 1,568
Fejér	27	22	– 5	1,659	2,259	+ 600
Győr-Moson-Sopron	25	25	0	1,759	2,221	+ 562
Borsod-Abaúj-Zemplén	20	23	+ 3	973	1,344	+ 371
Jász-Nagykun-Szolnok	11	12	+ 1	350	1,126	+ 776
Hajdú-Bihar	15	13	– 2	641	853	+ 212
Csongrád	15	16	+ 1	391	811	+ 421
Somogy	5	7	+ 2	477	606	+ 129
Heves	10	7	– 3	443	460	+ 17
Vas	10	10	0	420	374	– 46
Bács-Kiskun	12	8	– 4	225	240	+ 15
Szabolcs-Szatmár-Bereg	10	5	– 5	201	231	+ 30
Veszprém	11	6	– 5	264	226	– 38
Tolna	2	3	+ 1	123	188	+ 65
Baranya	8	5	– 3	276	159	– 117
Nógrád	3	4	+ 1	51	92	+ 41
Békés	6	3	– 3	106	77	– 29
Zala	8	2	– 6	132	39	– 93

Source: Creditreform Ltd. 2006–2010

During this period the number of top firms in Pest County had increased considerably and their total annual revenue exceeded 1,800 bn HUF. In Komárom-Esztergom County the volume of annual revenue was produced by the high incomes of Nokia Hungary Ltd. located in the town Komárom. In case of Jász-Nagykun-Szolnok County the spectacular increase in the volume of annual revenue owed to Samsung Hungary Ltd. (located in Jászfényszaru) which captured the 9th position in 2009 among the leading 500 firms in Hungary (its position was only the 39th in 2005). In 2009 three companies of the energy sector have realized considerable result in Csongrád county, and stepped to the 47th, 49th and 94th place of the ranking.

At the other extreme Baranya and Zala counties were the biggest losers in this process. There had been a serious fall in the nominal value of annual revenue of their top firms, because due to the sharp competition on the Hungarian energy market the biggest companies have lost their previous favourite position. There were also drops in the nominal values of annual revenues in Vas, Veszprém and Békés counties. Additionally, between 2005 and 2009 four counties (Bács-Kiskun, Heves, Szabolcs-Szatmár-Bereg and Nógrád) had experienced only very modest increase.

Analysing the change in the number of firms and the volume of profits by counties based on parameters of the relatively small groups of their firms belonging to the top 500, considerable regional inequalities could be observed between 2005 and 2009 *(Table 2).*

Looking at the fourth column of the table it can be seen that between 2005 and 2009 there was a dramatic fall in the number of firms with top profitability in the majority of the counties. Only few counties showed a modest positive change in the number of top firms. This process marks heavy concentration of profits produced by top 500 firms at Budapest. It is a negative spatial trend with the strengthening position of Budapest versus the rest of Hungary. There is more evidence for it:

1. The number of profitable top firms in Budapest has increased from 224 (2005) to 296 (2009), so the rate of the capital had grown from 44.8 per cent (2005) to 59.2 per cent (2009) among the top 500.

2. In 2005 the profit realized by all the top firms was 838.6 bn HUF in the 19 counties, which has increased only up to 982.1 bn HUF in 2009. (Difference: 143.5 bn HUF, rate of increase: 17.1 per cent)

3. In contrast: in 2005 the total volume of profit of the top firms in Budapest has emerged to 1,382.4 bn HUF, and it reached 2,092.7 bn HUF until 2009. (Difference: 710.3 bn HUF, rate of increase: 51.4 per cent)

Consequently the economic crisis had really hit hard at the leading firms operating in the countryside, while largest companies with headquarters at Budapest and being active in the most profitable sectors of the Hungarian economy (energy supply, banking, insurance, public services) have managed to preserve their strong positions and even were able to further develop.

Table 2. The change in number of top firms and in the volume of their profit by counties between 2005 and 2009

County	Number of profitable firms belonging to top 500		Change, 2009/2005	Total volume of profit of the firms, bn HUF		Change, 2009/2005, bn HUF
	2005	2009		2005	2009	
Pest	45	42	– 3	203.5	298.0	+ 294.5
Győr-Moson-Sopron	33	18	– 15	132.1	172.3	+ 40.2
Komárom-Esztergom	24	18	– 6	109.6	103.5	– 6.1
Fejér	29	14	– 15	89.1	70.2	– 18.9
Borsod-Abaúj-Zemplén	21	11	– 10	89.2	59.0	– 30.2
Vas	8	10	+ 2	24.3	52.9	+ 28.6
Hajdú-Bihar	11	11	0	24.7	51.9	+ 27.2
Heves	10	7	– 3	26.6	31.1	+ 4.5
Veszprém	12	8	– 4	27.9	30.8	+ 2.9
Csongrád	14	9	– 5	18.6	29.9	+ 11.3
Jász-Nagykun-Szolnok	7	11	+ 4	25.6	29.3	+ 3.7
Bács-Kiskun	10	12	+ 2	11.2	22.3	+ 11.1
Tolna	2	2	0	2.6	19.5	+ 16.9
Somogy	4	3	– 1	17.7	17.9	+ 0.2
Szabolcs-Szatmár-Bereg	12	11	– 1	7.2	12.0	+ 4.8
Baranya	11	5	– 7	8.2	11.1	+ 2.9
Békés	4	5	+ 1	11.8	8.7	– 3.1
Nógrád	4	2	– 2	3.3	5.4	+ 2.1
Zala	5	4	– 1	5.4	3.5	– 1.9

Source: Creditreform Ltd. 2006–2010

The direction of changes in the case of 14 modestly or weakly developed counties[3] according to the annual revenues and profit of their top firms between 2005 and 2009 is demonstrated on *Figure 1.* Studying the direction of changes in revenues–profit relation it becomes clear that the position of four counties (Hajdú-Bihar, Jász-Nagykun-Szolnok, Csongrád and Vas) has improved by 2009 compared to 2005. On the other hand the position of the so-called "marginal countries" (Zala, Baranya, Nógrád, Békés and Szabolcs-Szatmár-Bereg) changed only to a minimum extent.

Evaluating the counties by the change in ranking of their firms within the top 500 category further negative processes can be observed *(Table 3.)*

Data on *Table 3* reflect not only the fact that two thirds of these counties have lost their more favourable position in the ranking of their top firms since 2005, but there were merely two counties (Szabolcs-Szatmár-Bereg and Csongrád) which were able to step on much higher stages of the ranking list

[3] Baranya, Somogy, Tolna, Veszprém, Vas, Zala, Heves, Nógrád, Hajdú-Bihar, Jász-Nagykun-Szolnok, Szabolcs-Szatmár-Bereg, Bács-Kiskun, Békés and Csongrád counties.

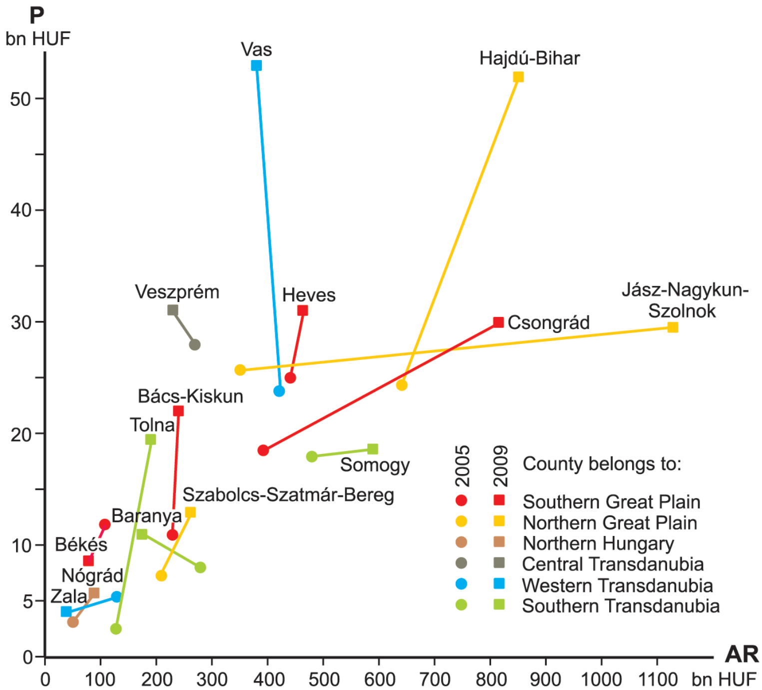

Fig. 1. Changing position of the top firms of 14 counties on the annual revenues–profit diagram. AR = annual revenue; P = profit

Table 3. The change in ranking of top firms according to the volume of their total annual revenues between 2005 and 2009 in 14 counties

County	Number of firms belonging to top 500		Average rank		Value of increase (+) or fall (–) of average rank
	2005	2009	2005	2009	
Jász-Nagykun-Szolnok	11	12	302	289	+ 13
Hajdú-Bihar	15	13	259	261	– 2
Csongrád	15	16	306	260	+ 46
Somogy	5	7	217	304	– 87
Heves	10	7	200	195	+ 5
Vas	10	10	208	291	– 83
Bács-Kiskun	12	8	305	289	+ 16
Szabolcs-Szatmár-Bereg	10	5	392	330	+ 62
Veszprém	11	6	233	267	– 34
Tolna	2	3	216	263	– 47
Baranya	8	5	242	278	– 36
Nógrád	3	4	302	345	– 43
Békés	6	3	303	304	– 1
Zala	8	2	376	389	– 13

Source: Creditreform Ltd. 2006–2010

of the top 500 companies. The positive change in the case of Jász-Nagykun-Szolnok and Bács-Kiskun counties was only modest. The position of Heves, Békés and Hajdú-Bihar counties has not changed significantly.

Evaluating the above mentioned 14 counties by the change in ranking based on the profit realized by the firms also negative trends could be observed *(Table 4.)*

Table 4. The change in the ranking of top firms by the volume of their annual profit between 2005 and 2009 in 14 counties

County	Number of firms belonging to top 500		Average rank		Value of increase (+) or fall (–) of average rank
	2005	2009	2005	2009	
Jász-Nagykun-Szolnok	6	11	194	269	– 75
Hajdú-Bihar	10	11	281	278	+ 3
Csongrád	14	19	267	220	+ 47
Somogy	3	3	227	270	– 43
Heves	11	7	262	250	+ 12
Vas	10	10	144	198	– 54
Bács-Kiskun	11	12	297	278	+ 19
Szabolcs-Szatmár-Bereg	10	11	395	363	+ 32
Veszprém	13	8	252	204	+ 48
Tolna	2	2	266	176	+ 90
Baranya	12	5	366	257	+ 109
Nógrád	5	2	315	254	+ 61
Békés	4	5	277	222	+ 55
Zala	5	4	311	387	– 24

Source: Creditreform Ltd. 2006–2010

Data on Table 4 demonstrate the results of a curious process. Namely, most of modestly or weakly developed counties managed to preserve profitable firms, and at the same time the latter had replaced the unprofitable ones. Their number was 116 in 2005 and 110 in 2009, so during four years they experienced only a minor decrease.

In the case of some counties the changing position of some dominant firms had resulted in higher or lower average values in ranking. (E.g. the fall in average rank of Jász-Nagykun-Szolnok County owed to the lower rank of the Samsung Electronic Hungary Ltd. and Electrolux Lehel Refrigerator Factory Ltd.) A spectacular increase could be recorded in Tolna county where the position of Paks Nuclear Power Plant Co. stepped forward from the 110th place (2005) to 28th place (2009) among the top 500 firms by profitability. Similarly the position of the E.On Southern Transdanubia Ltd. (energy supply) has advanced from 96th place (2005) to 77th place (2009) in Baranya County.

The tendency of changes between 2005 and 2009 in the case of top firms of the 14 modestly or weakly developed counties according to the average ranks based on annual revenues and profit is shown on *Figure 2*.

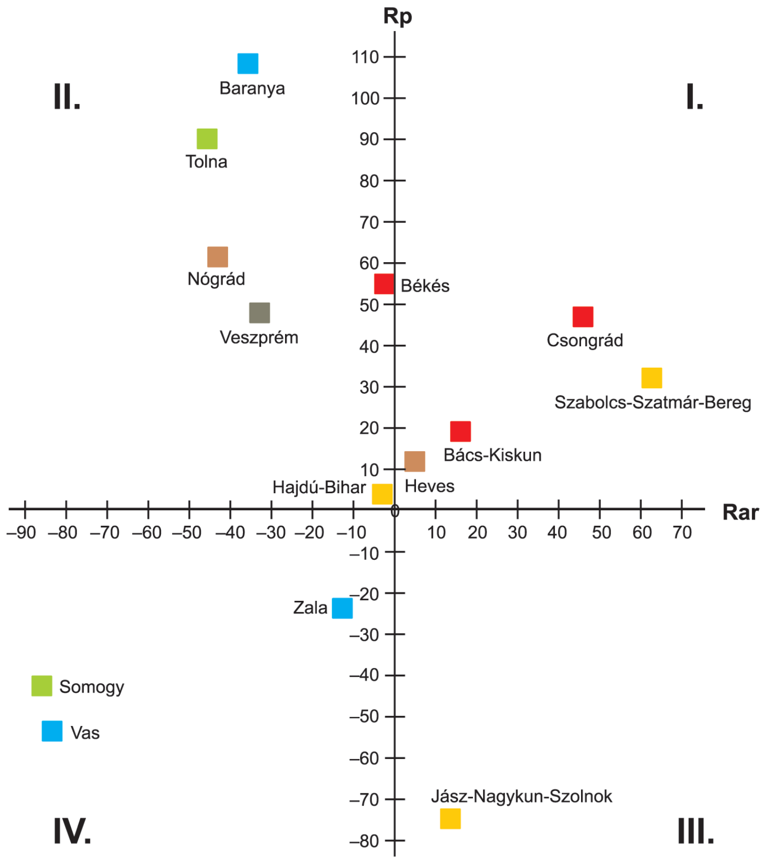

Fig. 2. Change in the ranking of the top firms of 14 counties on the annual revenues–profit diagram. Rar = Rate of change by annual revenue; Rp = Rate of change by profit

Evaluating the different positions of countries by the tendency of change and its dimension ranking by annual revenues–profit context, the following four groups (I–IV) can be identified.

– Between 2005 and 2009 the top firms in 5 counties of the first group – and partly in Békés County too – turned to a positive direction of development. The ranks have improved both by annual revenue and profit.

– A majority of top firms in the second group of 4 countries (members) were able to step forward and ranked higher by profit but their annual revenue increased only in small measure. Owing to this negative fact their position became unfavourable and these counties were dropped in the rank of annual revenues. (Close to the origo Hajdú-Bihar County belongs to this group but its position remained practically unchanged between 2005 and 2009.)

– Only one county forms the third group. Top firms of Jász-Nagykun-Szolnok County have managed to improve positions in the ranking by annual revenues, but they lost a lot in that by profit.

– Top companies of the three Transdanubian counties belonging to the fourth group were the real losers. They have lost their position in the ranking by annual revenues and by profit alike. Nevertheless one of them (Vas County on the Hungarian-Austrian border) has an advantage over the others. The closeness of Austria might bring some prosperity in the county's economy and probably would contribute to raise the rank values of the top companies of the county.

Table 5. The change in the ranking of top firms located in industrial parks by the volume of their total annual revenues between 2005 and 2009

County	Profile of companies belonging to top 500 and located in industrial parks		Rank by annual revenues		Value of increase (+) or fall (–) of rank
	Branch, profile	Seat	2005	2009	
Csongrád	Construction	Szeged	162	266	– 104
Csongrád	Rubber industry	Szeged	372	283	+ 89
Csongrád	Food industry	Szeged	150	188	– 38
Csongrád	Rubber industry	Makó	290	323	– 33
Csongrád	Car trade	Szentes	–	471	(+)
Csongrád	Machinery	Szentes	464	430	+ 34
Csongrád	Food industry	Szentes	185	258	– 73
Csongrád	Machinery trade	Hódmezővásárhely	311	470	– 159
Csongrád	Building material	Hódmezővásárhely	358	437	– 79
Csongrád	Tobacco trade	Hódmezővásárhely	291	313	– 22
Csongrád	Food industry	Hódmezővásárhely	–	231	(+)
Békés	Glass industry	Orosháza	327	364	– 37
Békés	Car accessories	Orosháza	230	249	– 19
Békés	Food industry	Szarvas	250	301	– 51
Bács-Kiskun	Food trade	Kecskemét	325	355	– 30
Hajdú-Bihar	Electronics	Debrecen	205	145	+ 60
Hajdú-Bihar	Machinery	Debrecen	–	333	(+)
Jász-Nagykun-Szolnok	Electronics	Jászfényszaru	20	9	+ 11
Jász-Nagykun-Szolnok	Car accessories	Jászárokszállás	–	277	(+)
Jász-Nagykun-Szolnok	Machinery	Törökszentmiklós	367	303	+ 64
Baranya	Electronics	Pécs	215	174	+ 41
Somogy	Electronics	Kaposvár	–	446	(+)
Somogy	Energy supply	Siófok	–	493	(+)
Vas	Electronics	Szombathely	190	167	+ 23
Vas	Car accessories	Szombathely	74	75	– 1
Vas	Wood industry	Szombathely	322	461	– 139
Vas	Car accessories	Szentgotthárd	41	282	– 241
Vas	Metalworking	Sárvár	–	499	(+)

Source: Creditreform Ltd. 2006–2010

Top firms in industrial parks of modestly or weakly developed counties

Surveying the location of firms operating or producing inside the industrial parks of the 14 modestly or weakly developed counties and belonging to top 500 by their annual revenue revealed that their number is very low, i.e. merely 28. Here it has to be mentioned that the total number of firms located in this group of counties is also far below the value of 100 (only 74). Consequently, 37.8 per cent of top firms of the 14 counties investigated are located in a kind of industrial parks. Looking at *Table 5* and *6* considerable regional inequalities can be found.

A closer examination of the data makes clear that 14 top firms have lost their position in ranking between 2005 and 2009. The average position loss exceeded the value of –73. Only 7 companies have managed to get higher position in this period, but this step was not spectacular (their average win has reached + 46 only). Further 7 firms managed to join to the club of top 500 between 2005 and 2009.

Most of the winners represent electronics (N.I. Hungary Ltd., Debrecen; Samsung Electronics Hungary Co., Jászfényszaru; Elcoteq Hungary Ltd., Pécs;

Table 6. The change in the ranking of top firms located in industrial parks by the volume of their profit between 2005 and 2009

County	Profile of companies belonging to top 500 and located in industrial parks		Rank by profit		Value of increase (+) or fall (–) of rank
	Branch, profile	Seat	2005	2009	
Csongrád	Construction	Szeged	325	-	(–)
Csongrád	Rubber industry	Szeged	171	137	+ 34
Csongrád	Machinery	Szentes	476	188	+ 287
Csongrád	Food industry	Szentes	242	-	(–)
Csongrád	Machinery trade	Hódmezővásárhely	341	-	(–)
Csongrád	Building material	Hódmezővásárhely	164	-	(–)
Békés	Glass industry	Orosháza	78	222	– 144
Békés	Glassware	Orosháza	84	194	– 110
Békés	Car accessories	Orosháza	191	245	– 54
Békés	Food industry	Szarvas	457	-	(–)
Bács-Kiskun	Food trade	Kecskemét	352	423	– 71
Hajdú-Bihar	Machinery	Debrecen	-	305	(+)
Jász-Nagykun-Szolnok	Electronics	Jászfényszaru	-	84	(+)
Jász-Nagykun-Szolnok	Car accessories	Jászárokszállás	271	-	(–)
Jász-Nagykun-Szolnok	Machinery	Törökszentmiklós	187	202	– 15
Baranya	Electronics	Pécs	-	384	(+)
Somogy	Electronics	Kaposvár	-	492	(+)
Vas	Electronics	Szombathely	88	121	– 33
Vas	Car accessories	Szombathely	-	49	(+)
Vas	Wood industry	Szombathely	157	-	(–)
Vas	Car accessories	Szentgotthárd	79	162	– 83
Vas	Metalworking	Sárvár	285	428	– 143

Source: Creditreform Ltd. 2006–2010

Videoton Electro Plast Ltd., Kaposvár; Epcos Ltd., Szombathely) and machinery industry (Legrand Hungary Co., Szentes; FAG Hungary Ltd., Debrecen; Claas Hungary Ltd., Törökszentmiklós). The losers belong to food industry (Sole Mizo Co., Szeged; Hungerit Poultry Processing Co., Szentes; Gallicoop Co., Szarvas), car accessories (Linamar Hungary Co., Orosháza; General Motors Powertrain Ltd., Szombathely) and different type of trade companies (e.g. Bravotech Ltd. and Tabán Tafik Co., Hódmezővásárhely; Hansa Kontakt Ltd., Kecskemét).

The regional pattern of winners *(Figure 3)* demonstrates the relatively good position of firms located in the industrial parks of the counties belonging to Northern Great Plain Region and partly in Southern Transdanubia. The losers are mainly concentrated in the counties of Southern Great Plain region with few exceptions (e.g. ContiTech Rubber Industrial Ltd., Szeged; Legrand Hungary Co., Szentes), and in Vas County within Western Transdanubia Region.

When the profit of these firms accommodated in industrial parks is investigated the picture seems to be mixed. Firstly it can be stated that among the firms located in industrial parks of the 14 modestly or weakly developed counties and belonging to top 500 by their profit only 22 are profitable. The total number of firms belonging to this group of counties is relatively small (only 86). The rate (22 to 86) is an unfavourably low (25.6 per cent), marking a low economic efficiency of top firms located in industrial parks of the 14 sample counties.

The data of Table 6. clearly demonstrate that 7 of 22 top firms have lost their previous position and fell out from the list of 500 most profitable companies of Hungary between 2005 and 2009. Further 8 of 22 have lost their former more favourable position on the list.

This average position loss exceeded the value of –78. Merely 2 companies have managed to get higher position in this period, and only one of them (Legrand Hungary Co. located in Szentes Industrial Park) has got a spectacular profit increase since 2005. Additional 5 firms managed to join to the club of 500 most profitable companies between 2005 and 2009.

Out of the few profitable top companies settled in industrial parks of modestly or less favoured counties one belongs to rubber industry by profile (ContiTech Rubber Industrial Ltd., Szeged), and another one to machinery industry (Legrand Hungary Co., Szentes).

Three of the five companies having entered the club of top 500 by the volume of profit represent electronics (Samsung Electronics Hungary Co., Jászfényszaru; Elcoteq Hungary Ltd., Pécs; Videoton Electro Plast Ltd., Kaposvár), one of them – machinery industry (N.I. Hungary Ltd., Debrecen) and one –car accessories manufacturing (LUK Savaria Kuplung Producing Ltd).

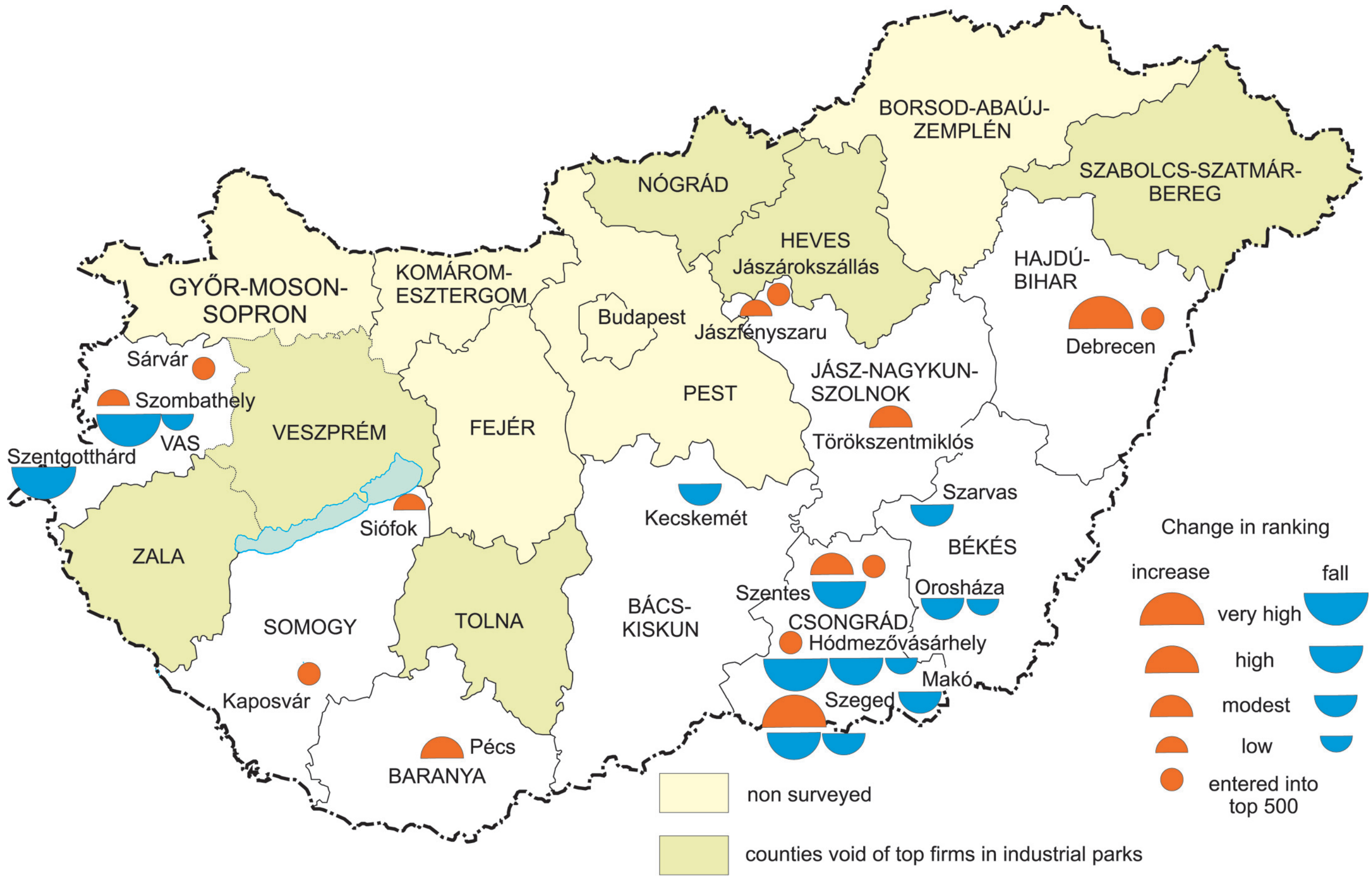

Fig. 3. Tendency and the rate of change in the ranking of the top firms settled in industrial parks of modest or less favoured counties by their annual revenue

It has to be emphasized however, that – opposite to the positive examples mentioned above – the overwhelming part of firms settled in industrial parks of modestly or less favoured counties have lost their previous favourable position in ranking between 2005 and 2009. The biggest losers belong to different branches of economy: Amtek Hungary Co. (metalworking, Sárvár), Hansa Kontakt Ltd. (food trade, Kecskemét), Guardian Hungary Ltd. and Glass Manufacturing Ltd. (glass industry and glassware products, Orosháza), Linamar Hungary Co. (car accessory products, Orosháza) and Epcos Ltd. (electronics, Szombathely).

The regional pattern of these 22 firms *(Figure 4)* demonstrates the falling of profit of the top firms located in industrial parks of the 14 counties. Their substantial part (9 per cent) belong to Southern Great Plain Region (with a concentration in Csongrád and Békés counties), a smaller group (4 per cent) to Western Transdanubia (Vas County). Tendency of change in the case of the firms located in Northern Great Plain Region and Southern Transdanubia seems to be positive, but the size of this group is unfavourably small.

Conclusions

– Comparing the change in revenues with that in profits in the case of NUTS2 regions in Hungary a very negative tendency can be seen. Between 2005 and 2009 in case of profits of leading companies a serious decline or stagnation can be observed in all regions except Central Hungary. This process is a result of heavy concentration of profit onto Budapest and its agglomeration zone.

– Between 2005 and 2009 the relative annual profit (profit per company) has changed also in the regions, showing a tremendous gap between developed and underdeveloped regions.

– Problematic Hungarian NUTS2 regions and their counties have a modest dynamism of economic development. Most of them is characterised mainly by processing industry, food industry and has agrarian character, which goes together with lower personal income and with a higher rate of unemployment than the national average.

– 14 counties of six NUTS2 regions belong to the category of modestly or weakly developed counties. In spite of a large number of industrial parks with good regional accessibility these counties have only few important industrial firms and service companies realizing high annual revenue and profitable production.

– Between 2005 and 2009 nearly half of the 19 counties have lost 36 top firms altogether and – without Pest County – only 7 counties have gained 11 ones at all.

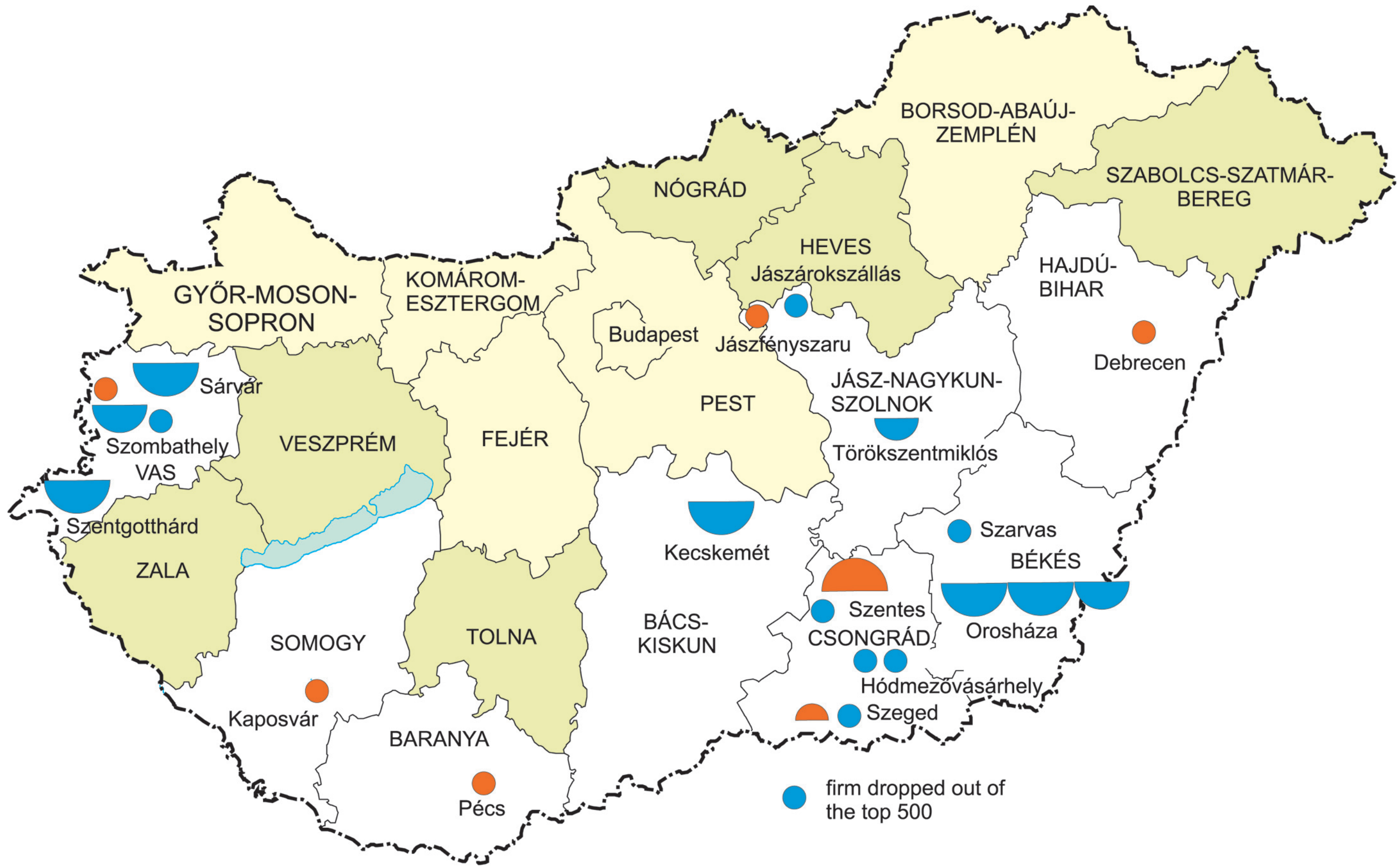

Fig. 4. Tendency and the rate of change in the ranking of the top firms settled in industrial parks of modest or less favoured counties by their profit

– Majority of top firms of the modestly or weakly developed counties was able to step forward in ranking by profit but their annual revenue increased only to a minor extent.

– There is a very small number of firms operating or producing inside industrial parks of the 14 modestly or weakly developed counties and belonging to top 500 by their annual revenue.

– The regional pattern of these companies demonstrates the falling profit of the top firms located in industrial parks of the 14 counties.

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See Hungarian Geographical Bulletin 2010 Vol. 59. No 2. 89–106.