

# I. THE REAL ECONOMY

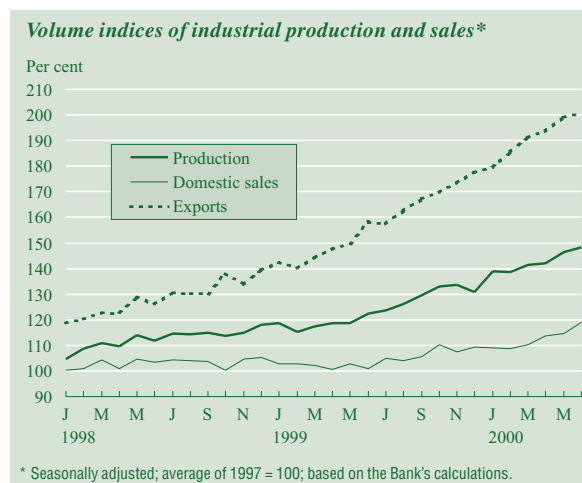
## *Production and sales*

The unbroken expansion in the past several years of sales opportunities abroad and the increasing strength of domestic demand, seen in recent months, both continued to create a fertile environment for industrial growth to continue in June 2000. One-month seasonally smoothed industrial output, adjusted for working-day variations, rose by 1.2%. The increase in total sales measured 2.1% in the month under review. Within the latter, the volume of domestic sales expanded by 3.8% and that of exports by 0.8% relative to May.

Industrial output grew by 21.1% in June in comparison with twelve months previously. Supported strongly by increases of 18.5% and 25.9% in domestic sales and exports respectively, the volume of total sales rose by 22.3% from its level recorded in June 1999. The respective increases in industrial output and the volume of total sales over the year previous outturn were 21% and 20.3% in 2000 H1. Exports surged by 30.9%, domestic sales rising by 10.9% in the same period.

Indicating a further strong pick-up in industrial performance, output grew significantly in most branches of manufacturing. As seen in earlier periods, output of the electrical equipment sub-sector rose the most robustly, by 52.1% relative to the same period of the previous year. Looking at the sales performances of manufacturing branches, the increase in domestic demand, prolonged for several months now, has proved to be lasting, which is interpreted as a further encouraging sign when judging the health of the current upturn. Here, following a nearly 22% upsurge in May there was another strong increase of 20.9% in the month under review. Slightly in contrast with this, exports expanded by 26.1%, lagging slightly behind the nearly 30% rises recorded in the preceding five months.

Gross production per capita in manufacturing was 19.3% higher in a twelve-month comparison. The improvement in gross production per capita amounted to 20.8% in the first half of 2000 relative to the same period of 1999.



Fresh domestic and export orders for manufacturers' output in the more important branches of manufacturing were significantly higher in each of the first six months of 2000 than in the comparable periods of 1999. The total volume of new orders was 28% higher in June relative to twelve months previously. Export and domestic orders, respectively, rose by 28.8% and 25% in the period.

Following modest increases in the three months preceding June, construction output registered a stronger gain in the month, rising by 10.9%. The volume of production exceeded the year previous level by 5.1%. After adjusting for seasonal effects and working day variations, construction output was 8.1% higher than the preceding month's level.

The robust increase in housing permits continued, while the number of house occupations remained virtually stagnant. A total 11,544 housing permits were issued in the second quarter of 2000. That was 41.2% more than in the year earlier period. But the number of newly occupied homes was only 3,121, 3% less than in the comparable period of 1999. Taken together, 37.7% more permits were issued in 2000 H1 and 1.4% less homes were occupied than in the same period of the previous year.

Measured on the basis of constant prices, the increase in sales of farm products amounted to 12.4% in June

year on year. Here, the sold output of plant cultivation rose by 14.6%. Purchases of livestock and animal husbandry output were 11.6% higher. Sales of the most important agricultural products rose by 3% higher in the first half of 2000 compared with the same period of 1999.

Retail sales rose by a modest 1.1% in June relative to twelve months previously. According to preliminary numbers, sales in June remained practically at the level seen in the preceding month. Trade volumes fell a little in most of the major retail activities, or rose only modestly in June, as seen in the preceding few months. On balance, the volume of retail sales was practically flat at the level recorded a year earlier. The only exception was provided by retail sale of furniture, household appliances and hardware, which registered a rise of 12.8% in volume terms.

Spending on whole-economy fixed investment amounted to Ft 606.4 billion in the second quarter of 2000. That was 5.5% more, valued at constant prices, than in the same period of 1999. Fixed investment increased by 6.1% in 2000 H1 relative to 1999 H1. According to the seasonally adjusted numbers, second-quarter fixed investment volume was 2.8% higher than in the previous quarter.

The increase of 18.3% in real estate and business activities was dominant in fixed investment performance in 2000 Q2. Manufacturing industry fixed investment, accounting for the most important share of total fixed investment, registered a rise of 5.9% in the same period. On the basis of material-technical composition, there was an increase of 8.5% in machinery investment, which meant that the previous year's trend continued uninterrupted. Construction investment, in contrast, rose much less strongly, by 3.8% relative to 1999 Q2.

## The labour market

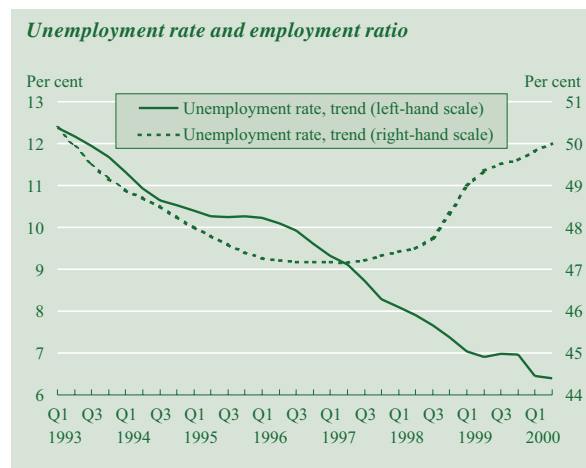
*The growth in employment, seen for more than two years, continued in the second quarter of 2000. Unemployment, though, remained practically unchanged at the level of the previous quarter.*

The seasonally adjusted trend values,<sup>1</sup> calculated from the CSO Labour Force Survey conducted quar-

terly, show that both the number of people in employment and the employment ratio<sup>2</sup> continued to rise in 2000 Q2 relative to the previous quarter. The growth rates appear to have stabilised at lower levels in the period 1999 Q4–2000 Q2, following a transient pick-up in the early part of 2000. The number of jobless persons and the unemployment rate both were static in the period under review, in contrast with a considerable downturn observed in the previous quarter. The growth in employment, the stagnation in unemployment and the further drop in the number of inactive persons resulted in an expansion of the labour market and an increase in the population's activity ratio in 2000 Q2.

Following a period of stagnation in 1996–97, the seasonally adjusted number of people in employment rose slightly in 1998, then picked up particularly strongly towards end-1998 and early 1999. That strong increase in employment was followed by a gradual slowdown from 1999 Q2 and a subsequent stagnation in the growth rate. The seasonally adjusted indicators are evidence of a modest increase in the number of people in employment in 2000 Q2. That is broadly comparable with growth rates recorded in the previous two quarters. After seasonal adjustment, the employment ratio was 50.0% in Q2, up 0.2 of a percentage point on the first quarter and 0.6 of a percentage point compared with the same period of 1999.

The seasonally adjusted gauges of employment, calculated from the number of unemployed, show that the fall in unemployment halted in the period under review. But the trend of unemployment rate continued to be downwards. The seasonally adjusted number of registered jobless persons rose by around 2% relative to the previous period. The unemployment rate, derived from the seasonally adjusted data, was 6.5% in 2000 Q2, reflecting an increase of 0.1 of a percentage point relative to Q1 and a decrease of 0.3 of a percentage point relative to a year earlier.



<sup>1</sup> The time series used in the calculations take into view, with retrospective effect, the methodological changes to the CSO Labour Force Survey (broader samples, changes to the weights etc.). Although the indicators are comparable over periods, they are not directly comparable with quarterly LFS data for the period preceding 1998.

<sup>2</sup> Employment ratio is defined as the number of people in employment expressed as a percentage of the 15–74 year olds. Activity ratio: the number of economically active people expressed as a percentage of the 15–74 year olds.

The number of economically active persons rose in 2000 Q2 quarter on quarter. Simultaneously with the increase in the number of economically active persons, the number of inactive persons fell further, so the participation rate rose in comparison with the previous quarter.



The whole-economy activity ratio, calculated from the seasonally adjusted numbers, was 53.4% in 2000 Q2, rising by 0.2 of a percentage point in comparison with the previous quarter and by 0.4 of a percentage point year on year.

