

# POLITICAL ECONOMY

## HUNGARY

### HUNGARY'S ECONOMIC SITUATION AT ITS ZENITH

The report of the Hungarian Economic Research Institute shows that Hungary's economic situation was very favourable in 1939. The yield of the most important agricultural products exceeded the average yield of the last five years, while the ever-growing European demand in evidence since the outbreak of war made it possible to dispose of the whole surplus on the most advantageous terms. No difficulties were experienced in respect of cattle exports, inland consumption also increased, so that the problem facing Hungary today is no longer that of marketing but how to increase the live stock.

The leading part in this growth of economic prosperity was played by the industries affected by the rearmament programme and by State investments, among them the manufacturing industry in particular. The iron and machine industries are now working at a considerably increased capacity and employ 140.000 workers more than in the most prosperous of previous years. The buying power of the working class and the town population shows a marked increase. This may be seen, among other things, from the growth in the output of the textile and chemical industries. Foreign markets are displaying an unparalleled interest in Hungary's textile industry, and that applies also to the leather and paper industries. The sugar refineries have increased their turnover by 17%, the breweries by 57%. The total number of industrial employees has risen to over 800.000, a figure that only a few years ago would have been considered fantastic.

This extremely favourable development of the country's economic situation exercised a similar effect on the stability of the credit market; the bulk of the earlier loans were repaid; and the banks not only recovered the deposits withdrawn in the period of the war crisis a few months ago, but showed a remarkable advance in their stock of deposits too. The amount of savings deposits increased from 659 million in 1938 to 693 million pengő in 1939, while that of current account deposits showed an increase from 762 to 769 millions. On the other hand, the number of bankruptcies fell from 699 to 576. The level of share quotations was 33% higher than in the previous year, while the prices of bonds showed an advance of 10% at the end of the year as compared with the summer months.

Apart from minor difficulties due to the abnormal con-

ditions prevailing at the outbreak of war, Hungary's export trade was also much brisker in 1939 than in the previous year. The total value of the trade was 15% higher than in 1938, and, though the country's import trade also shows an increase of 17%, the excess of exports still amounted to 110 million pengő, — a very considerable sum.

## RUMANIA

### RUMANIA'S ECONOMIC SITUATION

In its New Year's review of Rumania's economic situation (January 1st, 1940), the "Universul", a prominent Bucharest daily, declared that the war had created a critical situation in Rumania's economic life. Facilities for the importation of goods purchased abroad are far from being ensured, and the purchase of raw materials for certain industries has become extremely difficult; in other respects, the economic activity of the whole country is adjusted to serve almost exclusively the interests of national defence and foreign policy.

The Rumanian Economic Research Institute publishes the following figures relating to agricultural production in 1939: the yield of wheat amounted to 44.886.000 q as against 48.214.000 q in the previous year; rye: 4.745.000 q (5.172.000 q); potatoes, 62.394.000 q (51.173.000 q); oats: 10.056.000 q (8.322.000 q); barley 4.759.000 q (4.630.000 q.). In the yield of the latter products — as we see — there was a slight increase; and the same may be said of maize too. With the exception of maize, the prices of all cereals fell at the outbreak of the war, and — since the farmers had already sold their supplies by then — the producers themselves profited very little by the rise of prices in the autumn.

The total number of commercial transactions showed a continual decline from the middle of 1938 to the middle of 1939, since when it achieved a remarkable increase; thus, in October, the rate of increase was 11.4% as compared the previous year. The home market, however, shows a more favourable development than the export trade, which was considerably hampered by the difficulties arising in consequence of the coal and war crisis. The sale of foreign products rapidly decreased on account of the high international prices of these products.

The industries concerned in State investments increased their capacity considerably: the iron and steel industry, for instances by 10%, while the manufacture of half-finished products decreased by 3—4%, also owing to the shortage of raw materials. Rumania's textile industry in 1939 produced 10% less than in 1938, and 25% less than in 1937. A number of factories were obliged to close down in November and Decem-

ber, because they were unable to procure raw materials. The capacity of the leather industry increased by 18%, while prices were 25—50% higher than in the previous year. The cement and provision industries showed a remarkable increase; but the timber industry showed a set-back of 50%, owing to the shortage of workers and transport facilities.

The total quantity of oil produced in 1939 was 6,200,000 tons, as against 6,700,000 in 1938. The demand for this product has increased enormously since the outbreak of war.

The total value of exports in the first 10 months of 1939 is estimated at 2300—2400 million lei, a figure certainly exceeding that for the previous year. The volume of imports, on the other hand, declined. In respect of exports the volume of agricultural products exported increased, while wood (and timber) and oil decreased; on the Imports side the principal items were machines and hardware. Germany was Rumania's chief customer her imports from that country representing a quota of 40% as against 26.5% in 1938. The quota of exports marketed in Germany was 41%, as against 41.5%. The German-Rumanian trade agreement will produce a further increase of these quotas.

In 1939 prices were 38% higher than in 1936, (i. e. prior to the economic crisis), while the note circulation showed an increase of 41% as compared with the previous year. The revenue of the State in the first 7 months of the fiscal year 1939—1940 amounted to 23,890.8 million lei, as against 21,372.4 millions in the previous fiscal year.

The article does not contain detailed items of State expenditure.

## YUGOSLAVIA

### FRANCO-YUGOSLAV CLEARING AGREEMENT

In an interview with the representatives of the press, M. Andres, French Minister of Commerce, declared that the new Franco-Yugoslav clearing agreement offers Yugoslavia the advantage that her exports to France should always exceed French exports to Yugoslavia by 50%. The agreement also provides for the methods of payment: 40% of the money that Yugoslavia is to receive for her goods is to serve for the payment of Yugoslavia's debts in France; 50% will be paid to French exporters, while 10% is to be paid to Yugoslavia in foreign exchanges.

### BALANCE-SHEET OF YUGOSLAV NATIONAL BANK

The annual report of the National Bank of Yugoslavia (Narodna Banka) shows that the earnings of the bank increased

considerably in the year 1939. Gross profits exceeded 169 millions dinars, while net profits amount to 52.7 millions.

### REPORT OF STATE MORTGAGE BANK

The State Mortgage Bank (Državna Hipotekarna Banka) recently published its report for the year 1939, from which it appears that the bank obtained for the year net profits amounting to 100 million dinars. This large amount of profit is rather surprising in the case of a State bank, as it has frequently been pointed out that the bank was run on "altruistic" lines.

### PROVISIONS FOR "PASSIVE" AREAS

In order to provide for the alimentation of the "passive" (non-productive) areas, the Government has ordered 800 truckloads of foodstuffs — particularly wheat and maize — to be sent to certain parts of the country. — The total amount of foodstuffs to be sent there is to be 6.000 truckloads.

### SMALLHOLDERS TAXES CANCELLED

The Yugoslav Government has resolved to exempt from the payment of taxes all smallholders whose annual income does not exceed 1.000 dinars. This actually means the exemption of altogether about three million smallholders in the whole country. A new system of taxation has also been introduced in respect of craftsmen; they will have to pay certain fixed sum as commutation, which means a considerable reduction of their taxes.

### CLOSING DOWN OF NUMBER OF CEMENT FACTORIES

The circumstances created by the war have forced the cement works in Dalmatia to close down and to dismiss their workers. The factory in Spalato has already dismissed 700 workers. A circumstance illustrating the position is that the factories have accumulated 4.000 truckloads of cement which cannot be sold.

*Owing to a printing error we have given to our last January issue the number of Vol. VII. No. 9. instead of Vol. VII. No. 8, which makes the right number of our present issue Vol. VII. No. 9.*

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