The Hungarian Lubricants Market - issues and challenges

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Think of Hungary and you might think of some of the nation's inventions from Vitamin C to the Rubik's cube, or our famous sportsmen such as footballing legend Ferenc Puskas.

Hungary forms part of a Central European region which also incorporates the Czech Republic, Slovakia and Romania in a bloc that averages growth in industrial production of around 4% per annum, which is in excess of the average Euro area which stands at 0.4% per annum in the second quarter of 2018. GDP per capita growth rates are lower in central Europe than Western Europe, around 3% in the Czech Republic, Slovakia and Hungary and 7% on Romania although this is set at a lower base.

Investment across the globe is at its largest in Germany, US, the UK, France and Italy. Small countries in the region cannot operate independently. But investment is being made in Central Europe to take advantage of lower labour rates when compared with Western Europe, but equivalent production quality. BMW, for example, is building a new factory in eastern Hungary alongside those of Audi, Opel, Mercedes Benz and Suzuki.

The population of Hungary is around 10 million people comparable with that of the Czech Republic. Slovakia has 5.5 million people and Romania 17 million people. Although the population across the region is equivalent to around 67% of that of the United Kingdom, GDP per capita is around 20/25,000 euros or half that of the UK. Similarly goods transported by road across the central European region are less than 2/3rds that of the United Kingdom.

The economic structure of the Central European region (or CEE) is dominated by services, industry including energy and public administration, In Hungary alone these three sectors make up 63% of the economy, in Romania around 62% and the Czech Republic 65%. The automotive sector is one of the key sectors in all four countries.

In the late 1980s the market size for lubricants in the region was around 120,000 metric tonnes with 90% market share held by national producers. In 1998 the market for lubricants shrank back to 82,000 metric tonnes as international oil companies entered the market to take a 52% share and domestic providers fell back to 35% market share as state subsidies for heavy industry ended.

By 2008 the market had fallen again to 70,000 metric tonnes and there were over 120 players acting across the region with 45% international companies and 20% domestic producers. In the period following economic collapse the market shrunk by 25% against an average global reduction of 10%. In the darkest days of the global economic recession at the end of the last decade, some international players began to leave the market.

Turn to 2016 and the market had again shrunk to around 65,000 metric tonnes helped by better