

# **Footprint of Financial Crisis in the Media**

Hungary country report

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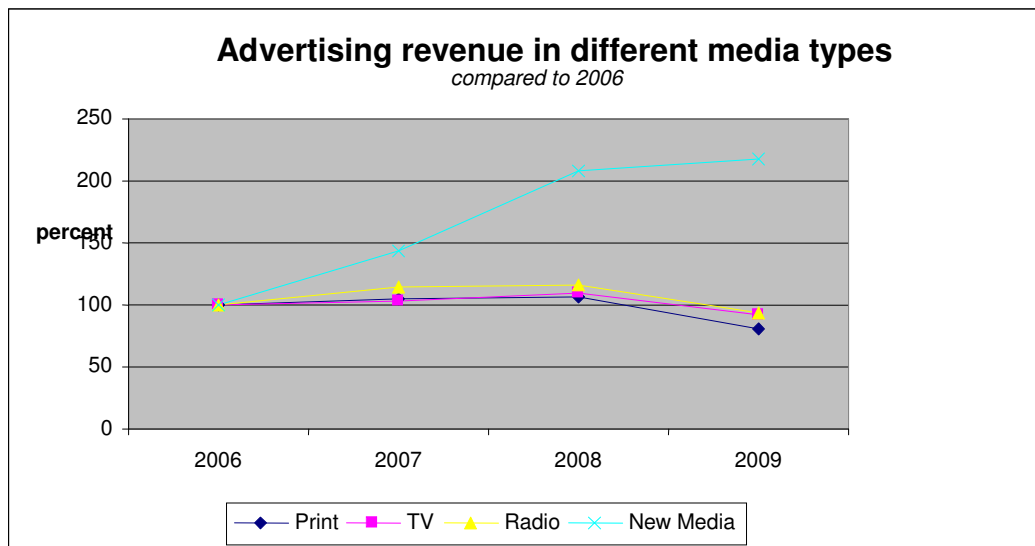
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## FOOTPRINT OF FINANCIAL CRISIS IN THE MEDIA

### General state of the media sector<sup>1</sup>

The Hungarian media have been severely hit by the current economic crisis. Advertising revenues, audience shares and circulation data all indicate that the media industry is hard-pressed financially. However, there are huge differences among different media types (see Chart 1). The printed press was by far the most stricken, but the electronic media (TV, radio) suffered severe losses as well. The online media was hit the least by the crisis; some portals even managed to increase their revenues.<sup>2</sup>

**Chart 1. Advertising revenues in media**



The crisis had a marginal impact on the biggest news portals. Indeed, the revenues of some, such as Index, grew considerably until recently. According to figures provided by the company, the advertising revenue of Index increased by 65 per cent between 2006 and 2008, and another 9 per cent from 2008 to 2009. Online media is gaining ground at the expense of the printed press independently of the financial crisis. A marked expansion in the number of unique users signals this trend. However, according to the most recent and not yet confirmed market information the dynamism of internet expansion, mainly in terms of revenue, may have slowed down if not reversed.

The public service and national electronic media have seen a 10–15 per cent drop in their advertising revenues. The audience share of some national TV channels has also decreased compared with previous years. Public service TV stations lost their significance in the country's media landscape, but this is only partly and indirectly due to the financial crisis. Staff levels in the public media have been slightly reduced but the broadcast time has not been dramatically cut back.

<sup>1</sup> This section is based on indicators from the individual media and short interviews with market experts.

<sup>2</sup> We limit our analysis to national newspapers and journals, national TV, regional or national radio and online portals above 30,000 daily visitors, with original content and staff.

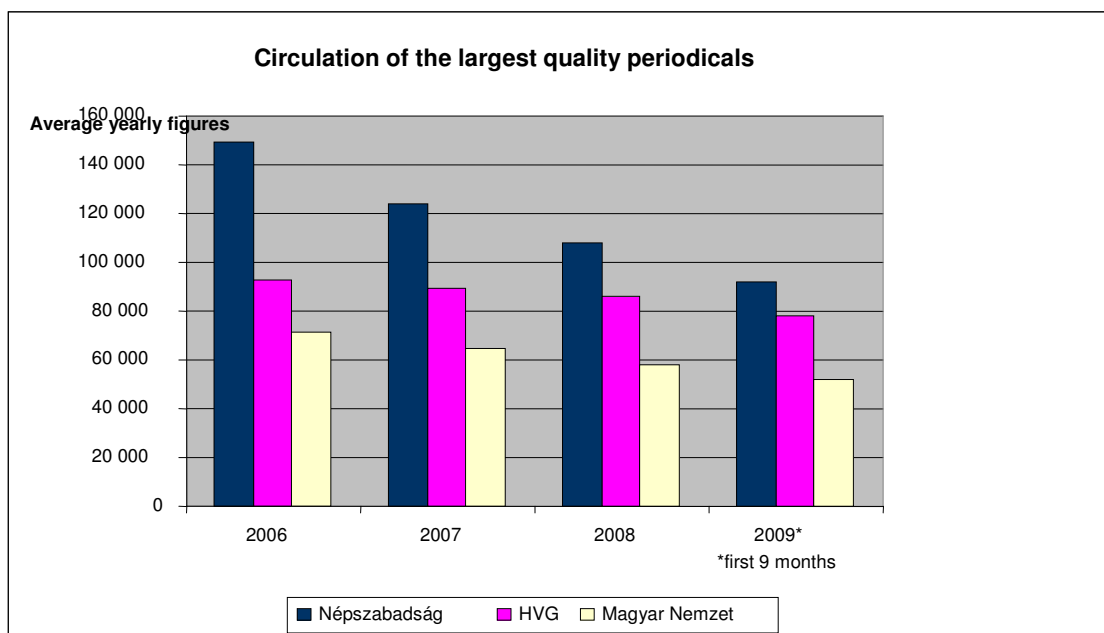
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The most severe losses were registered in the serious printed press. Advertising revenues of dailies and weeklies have dwindled by 16 per cent and 19 per cent respectively, but the loss is even bigger in real revenue terms: it may reach 30 per cent in national political dailies, and the losses may rise to 50 per cent in political and economic weeklies. *HVG*, the country's most respected political and economic weekly magazine, had to face a 34 per cent loss in rate card advertisement revenue in 2009 compared with the previous year. The effective loss of advertisement revenue at *Figyelő*, the country's leading business weekly, may have reached 50 per cent last year. These figures reflect the sharp decline in advertising in three sectors: banking, automobile and real estate.

Astoundingly, the economic and business press has been hit even more by the drop in advertising revenues than the general-interest print media.<sup>3</sup> Apparently, in a recession advertisers no longer distinguish between general and higher-status readers with more purchasing power, whereas some years ago this very distinction was the comparative advantage of the business and economic press with relatively small circulation, though nevertheless influential, on the advertising market.

The decrease in circulation in the serious segment of the print media has been accelerated by the financial crisis (see Chart 2). Within one year, from 2008 to 2009, the circulation of the biggest serious broadsheet daily (*Népszabadság*) decreased by 15 per cent, and during the same period the largest weekly (*HVG*) lost 10 per cent of its buyers.

**Chart 2. Circulation of the largest print media**



<sup>3</sup> For example, the rate card advertising revenues of both business dailies decreased by more than 50 per cent between 2006 and 2009.

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Until 2008, the decreasing circulation was not typically followed by massive layoffs. However, in 2009 when the crisis bore down on Hungary with a recession of 6.5 per cent (after a tiny GDP increase in the preceding year), layoffs amounting to 5–7 per cent of the editorial staff were not unusual. The number of pages has not in general followed suit. However, with further shrinking revenues and loss of capacities, both the dailies and weeklies may get thinner.

### **Media content<sup>4</sup>**

The respondents expressed strong criticism of the media content. The predominant view is that most Hungarian journalists are in general ill-prepared and superficial, and the situation in the last two years has deteriorated significantly. Some point out that journalists and editors are overloaded. “The media has become hastier and more superficial in the last two years. “Earlier it could not happen that a TV news reporter came to me, and confessed that she/he had been sent here but had no clue what was happening,” said a respondent who works in an NGO.

Another line of criticism is that the Hungarian media are strongly biased politically, much more than in the western democracies. The perception is that the media is in the hands of political parties; journalism is rarely independent. This is partly because, for many journalists and editors, political loyalty is more important than professional norms and ethics. “Virtually all media in Hungary are either in the shadow of a political party or are apolitical to please all parties. The latter is especially true of commercial TV,” says a young economist. “The majority of the press consists of party-affiliated papers that deal only with the two ‘Führers’ (two former prime ministers<sup>5</sup>) and their staff,” notes a businessman.

The third main line of criticism is that the Hungarian media has become irrelevant. Some say that the political bias is not necessarily the biggest problem but that the press is simply boring. The Hungarian press is perceived as inward-looking and focusing mainly on domestic political scandals and tabloid news. Also, the traditional media often neglect the social issues, so have virtually lost their role in helping people form opinions. “The coverage of the economic crisis revealed how inward-looking, provincial, shallow and unprepared our media was,” says a businessman. “The serious media do not help people to find orientation in this changing world,” says a trade union activist.

### **Editorial independence and media ownership**

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<sup>4</sup> This section is based on focus group and individual interviews with academics, civil association leaders, businessmen, trade union activists and bloggers.

<sup>5</sup> Viktor Orbán was the prime minister (1998–2002), belonging to Fidesz (right). Ferenc Gyurcsány was the prime minister (2004–9), of the Hungarian Socialist Party. For a long time their political struggle was the chief influence on Hungarian politics.

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Editors and journalists face two kinds of pressure: political and economic. According to most interviewees, it is still of value to preserve a certain journalistic autonomy.

Political independence in Hungary is perceived as a dream, as the media have become a tool for politicians. The situation was already miserable two years ago; the majority of experts in have not seen further downhill movement in this respect.<sup>6</sup>

Economic pressures may come from inside, from the owners (or management) of the company, or from outside, the advertisers. In a shrinking advertisement market the temptation to interfere is stronger. Political and economic dependence might overlap. If editorial resources shrink, the room for manoeuvre becomes smaller. Media companies, especially those of domestic owners, may have political interests. "In the internet media the frontiers between content and advertisements are totally blurred," says a middle-aged blogger.

One particular area where independence could play an important role is the public service broadcasting (PSB) media, which all respondents severely criticised. Opinion about public TV was distressing; however, the perception of public radio is a lot better. Overall, the PSB does not fulfil its role. Some experts say that although nowadays there is no political will for improvement, in the long run, with the strengthening of democracy and the increase of welfare, the Hungarian media might approach western (e.g. BBC) standards. "The public media has to have a future. It could give a counterbalance to commercial channels," says a civil association leader.

But there is another, radical way out from the crisis of the public media. According to some experts we simply do not need to maintain public broadcasting: first, because it is too expensive.<sup>7</sup> Second, it does not meet the needs of the public any more. Symbolically, the internet has become the public media.

### **New media**

The print media faces its biggest ever crisis. The process of platform change, that is, the switch from print to online, started several years ago. Now it has been accelerated by the financial slump. Production costs are shrinking, so the online media become more competitive.

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<sup>6</sup> One exception has to be mentioned here: the distribution of commercial radio frequencies in November 2009 when, according to the perception of some of interviewed experts, the two chief parties did not choose the best offers but those from people supposed to be loyal to them. As a sign of protest the head of National Radio and Television Commission resigned.

<sup>7</sup> The public TV gets around HUF 30 billion (approx. € 111 million) state funding per year. However, according to one expert, the lack of and the uncertainty about state funding led to standards of public TV becoming lower.

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The daily print press lost its competitiveness with the internet and foreign media, accessed via the internet. But even internet fans accept that the source of the news is often still the daily press, even if the platform where they are read is online.

In general opinion, the weeklies have a significantly better position than the dailies. But they also have to find their comparative advantage: the demanding, exclusive, deep content. According to some experts, the weeklies should have much more character than they have now.<sup>8</sup>

Two years ago, when the financial crisis erupted, the web 2.0 was a communication field for only a few people. Now it is a fragmented and rich blogosphere for millions. The readers of blogs increase exponentially. However, it is very uncertain that a blog can break through to the general public. For some experts, the level of online discourses is deteriorating, because of the huge number of users. The online discourse is maintained mainly by the younger generation and their political preference is the right, if not the far right. "The democratisation of the media is only hype. One should try to follow the news through blogs—it is impossible," says a young blogger.

### Conclusions

The Hungarian media have been severely hit by the current economic crisis. Advertising revenues, audience shares and the circulation data all indicate that the media industry is hard-pressed financially. However, there are huge differences among different media types. The printed press was by far the hardest hit, but the broadcast media had to suffer severe losses as well. The online media were hit least by the crisis.

The printed media face their biggest ever crisis. The process of platform change, the switch from print to online, started several years ago. Now it is accelerated by the financial slump. Serious dailies are in the most difficult situation. The dominant opinion is that traditional dailies are outdated and not relevant any more. Weeklies are in a significantly better position.

All interviewed experts agreed that the public influence, importance and relevance of the Hungarian media have decreased since the beginning of the financial crisis.

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<sup>8</sup> Some interviewed experts mentioned in a positive context *Figyelő* as the journal of most in-depth, creative and impartial analyses. *HVG* has got a good general reputation, too ("informative and correct"), although some added as criticism that a number of articles are simply translated from the international press. Apart from them, *Heti Válasz* was mentioned as a weekly with a modern lay-out and strong political (right-wing) views.

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## ANNEX: TABLES

**Table 1. Main economic indicators**

Population, total	10,030,000
Working population	3,800,000

	2006	2007	2008	2009
GDP per head (€)	9,364	10,106	10,514	9,220 <sup>9</sup>
GDP growth (%)	4.0	1.0	0.6	-6.5
Unemployment (%)	7.5	7.4	7.8	9.9 <sup>10</sup>
Average annual wage (€)	7,866	8,952	n.a.	9,600 <sup>11</sup>
Internet users (per 100 people) (using internet at least once a week)	42	49	56	57
Broadband availability (% of population)	7.5	11.6	15.7	17.2
Mobile telephones (per 100 people)	99	110	122	n.a.
Households with at least one TV set (%)	97.3 <sup>12</sup>	99.0	99.0	99.0

Sources: Eurostat; World Bank; Central Statistical Office, Hungary; National Telecommunication Authority, Hungary.

**Table 2. Main economic indicators of the media sector**

	2006	2007	2008	2009
No. dailies (national)	11	11	11	11
No. regional newspapers	21	21	23	21
No. weeklies (current affairs)	8	8	8	8
No. public TV channels <sup>13</sup>	4	4	4	4
No. public radio channels	5	6	6	7
No. commercial TV stations <sup>14</sup>	24	26	30	31
No. commercial radio stations <sup>15</sup>	21	21	21	21
No. news websites (unattached to)	4	4	6	4

<sup>9</sup> Estimate.

<sup>10</sup> Data at the end of 2009.

<sup>11</sup> Estimate from national sources.

<sup>12</sup> Data from 2005.

<sup>13</sup> With nationwide coverage.

<sup>14</sup> Hungarian-language channels with original content, available on at least two main cable providers.

<sup>15</sup> With national or regional reach, city radio stations excluded.

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traditional media) <sup>16</sup>				
Advertising revenue in print media (% yoy, compared with 2006)	HUF 64.6 billion	104.72	107.22	80.42 <sup>17</sup>
Advertising revenue in TV (% yoy, compared with 2006)	HUF 72 billion	104.09	108.76	92.41
Advertising revenue in radio (% yoy, compared with 2006)	HUF 101 billion	113.56	115.94	92.75
Advertising revenue in new media (% yoy, compared with 2006)	HUF 9.7 billion	144.43	207.52	217.89

*Sources: own calculations; advertising and distribution agencies.*

### Author

**József Péter Martin** is an experienced business journalist and former editor-in-chief of the Hungarian business weekly Figyelő. Recently, he was in charge of a new Sunday magazine Népszabadság. The planned launch of the publication was cancelled due to the crisis-related financial constraints.

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<sup>16</sup> With original content and own staff.

<sup>17</sup> Here and henceforth, estimated revenue, based on various public media/ad industry forecasts which predict a 15 per cent revenue drop compared with 2008 in TV and radio, a 25 per cent fall at print publishers, and a slowing but continuing increase in online.