

# Hungarian budget makes do without EU transfers

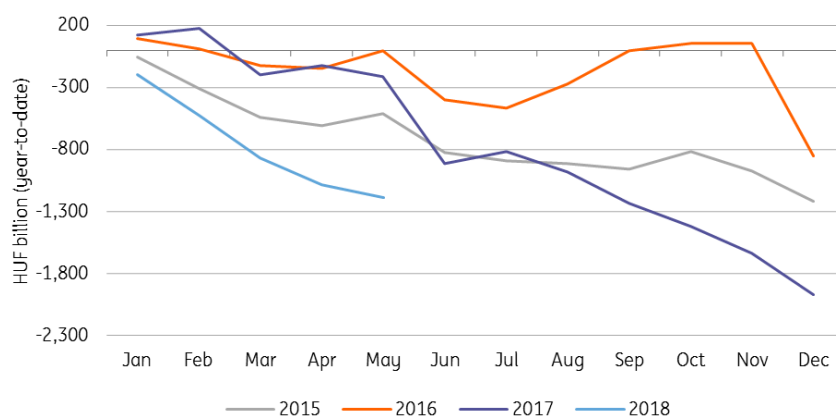
Despite the recent market risks, the government has continued to pre-finance EU projects, without inflows from the EU



Source: Shutterstock

The year-to-date cash-flow based general deficit deteriorated further in May, reaching HUF 1,187.5bn. Considering the monthly change, the budget worsened by HUF 106.1bn. When it comes to the officially planned cash flow-based target, May deficit reached 87% of it.

## The cash-flow based deficit



Source: Finance Ministry

The main driver behind the deterioration has remained the same, and the gap between the pre-financed EU projects and the actual inflow is still on the rise. As the Finance Ministry highlighted in the press release, Hungary has almost spent HUF 1,000bn, meanwhile having only HUF 63.9bn transfer by the EU.

---

*This means that Hungary received no inflows from the EU in May*

---

According to a popular business website in Hungary Portfolio.hu, the government sent out approximately EUR 300m (HUF 95bn) worth of invoices by the end of April. Based on rules, the EU is obligated to pay 90% of the invoices within 60 days, i.e. until end of June.

Considering the revenue side, the story has hardly changed. Since both the employment rate and real wages are rising, the revenue from both direct and indirect taxes are mounting and overperforming on a yearly basis. The 2.4% deficit goal in 2018 is still in safe in our view.

---

*The 2018 budget is still okay from a structural point of view*

---

In light of recent market risk, the minister of finance Mihály Varga said: "I think in these turbulent periods, we need wider budgetary space which means deficit cuts and strengthening of reserves."

The government plans 1.8% deficit-to-GDP and a roughly HUF 500bn (~1.15% of the 2019 GDP) budget reserve in 2019. Although, the main question remains whether this cautious approach will influence the government's policy-making even in the second-half of the year, for example cutting back the pre-financing of EU projects.

Nevertheless, the 2019 draft budget will be handed to the parliament next week and probably will be accepted by mid-July.

## Author

### Peter Virovacz

Senior Economist, Hungary

[peter.virovacz@ing.com](mailto:peter.virovacz@ing.com)

## Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies)*. The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit [www.ing.com](http://www.ing.com).