

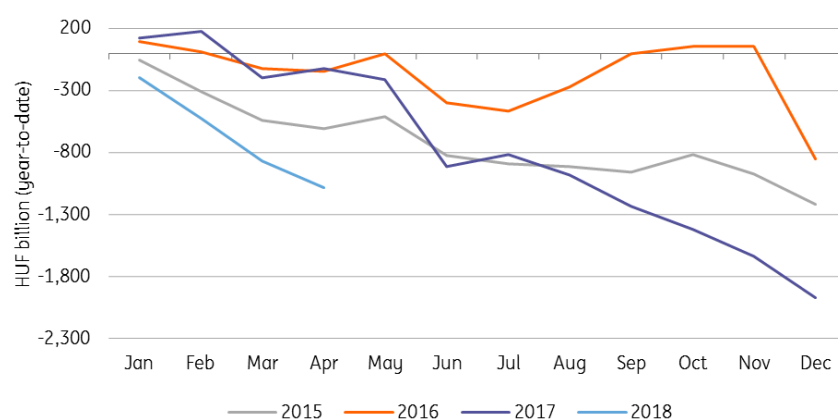
## Hungary: Budget deficit widens further

The government is still pre-financing EU projects without any significant inflow from Brussels, translating into a significant widening of the deficit



The April cash-flow based general government deficit came in at 1081.4bn Hungarian forints. On a monthly comparison, the budget worsened by HUF209.4bn, posting the third-largest monthly shortfall on record for April.

## The cash-flow based deficit



Source: Ministry for National Economy

The main driver behind the significant deficit remained the same: the advance payment of EU funds financed by the budget. According to the Ministry, Hungary has already spent HUF 857.2bn on EU projects with an inflow from the EU reaching only HUF 63.9bn. This is a gap of HUF 793.3bn, while the Ministry and the AKK (debt agent) planned a HUF 500bn gap for the whole year. It means the government is short on cash, so the AKK is issuing more T-bills and bonds than planned. The debt agent is around HUF 725bn ahead of its plan. It makes the Hungarian National Bank's (NBH) life harder, pushing it to do more to reduce the damage on the short end of the curve due to the disappearing excess liquidity.

---

### *AKK is well ahead of its issuance plan*

---

Other than the EU project story, the extra one-off disbursements (Erzsébet voucher for pensioners and utility cost cut for every household) before elections also worsened the cash-flow based budgetary situation by around HUF53bn, according to ING's estimate.

On the revenue side, VAT and personal income taxes contributed significantly to the structural improvement of the budget. We expect this trend to continue in the coming months with the significant increase in wages and consumption, thus the situation is not as bad as it looks at first sight. We are looking for the EU money to pour in around July or August, which can ease the pressure on the Ministry, AKK, NBH trio in 2H18.

### 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 <http://www.ing.com>.