

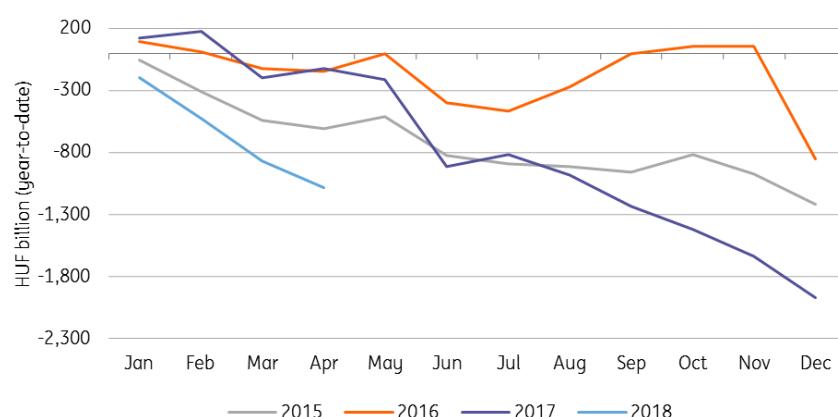
## Hungary: Budget deficit widens further

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.

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